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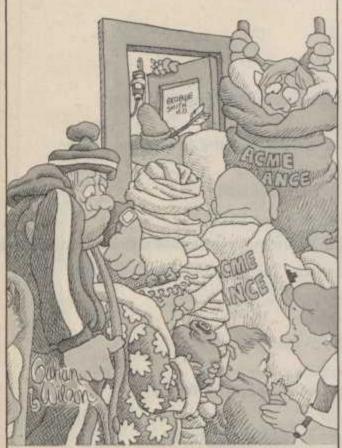
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### **Nation's Business**

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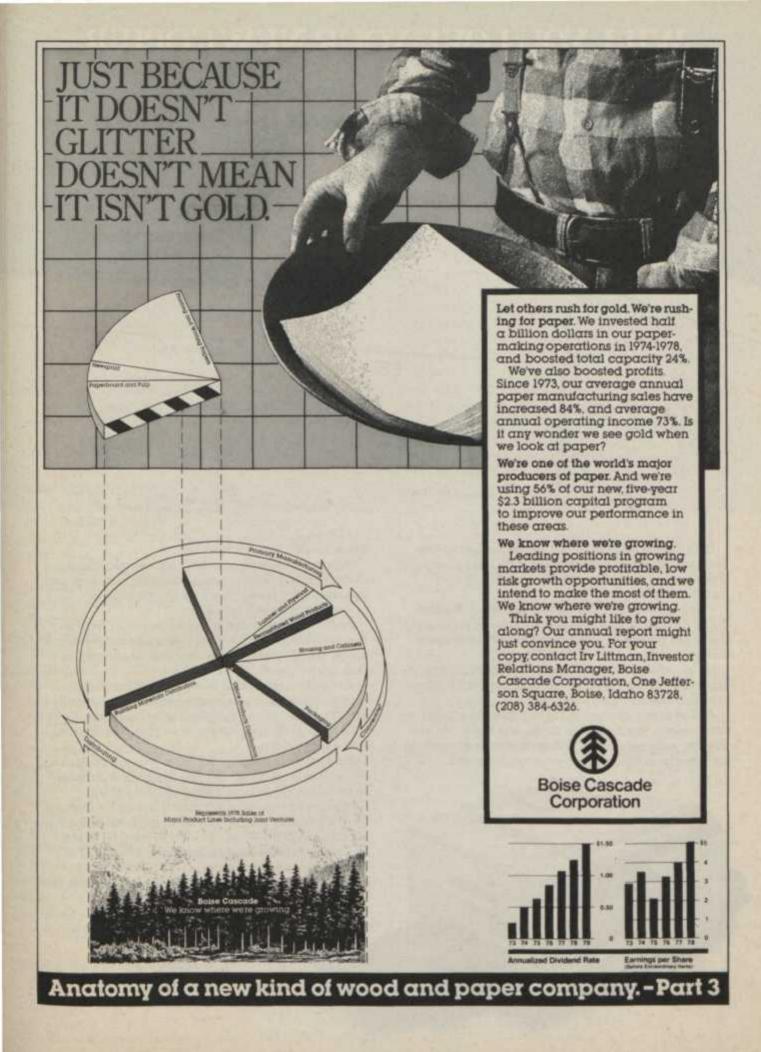
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Cover Photo: Lee Balterman-Freelance Photographers Guild

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### The Nation's Business

# WASHINGTON LETTER

▶ FEDERAL BUDGET FOR FISCAL 1981, due in January, will have a major impact on election-year politics.

It won't be balanced, as President Carter once pledged. Count on that. But where he makes the compromises--on taxes, inflation, unemployment--will shape subsequent campaign debate.

Mr. Carter is in a bind. Raising productivity is the best way to fight inflation and unemployment simultaneously. To do that, tax relief for business is essential. But he has often denounced so-called excessive profits.

► STRAWS IN THE WIND? The administration's firm stand against credit controls may be changing.

Treasury Secretary G. William Miller's opposition to them softened perceptibly in the week between his address to the American Bankers Association and his testimony before the Joint Economic Committee.

Meanwhile, Sen. Claiborne Pell (D.-R. I.) has introduced a bill to permit presidential imposition of controls on wages, prices, rents, and salaries.

TREASURY OPPOSITION to 10-5-3 capital cost recovery legislation won't be enough to kill it. The business coalition behind it is too strong, experts say.

The 10-5-3 plan would permit write-offs of buildings in ten years, equipment in five years, and cars and light trucks in three years.

Treasury chief Miller came out against the bill last fall. Said loss of revenue would boost deficit too high. Watch for action early next year.

► A TAX REDUCTION DRIVE has been launched by Citizen's Choice, a national grassroots taxpayer group affiliated with the U. S. Chamber of Commerce. Immediate objectives: lower federal taxes across-the-board, end double tax on dividends, exempt interest on savings.

Potentially far-reaching changes in tax policy will be studied intensively by a 26-member National Commission on Taxes and the Internal Revenue Service, appointed and funded by Citizen's Choice.

Headed by David McCarthy, executive vice president and dean of Georgetown University Law Center, the commission will conduct a 12-month probe, taking testimony across the country.

▶ TAX RESTRUCTURING, if not reduction, is the object of a bill from House Ways and Means Committee Chairman Al Ullman, who wants a ten percent value-added tax that would generate \$130 billion a year.

To offset the tax revenue, the Oregon Democrat proposes cuts of \$52 billion in social security taxes, \$50 billion in individual taxes, and \$28 billion in corporate taxes.

Will it pass? Not in the 96th Congress. So says Russell Long (D.-La.), a key VAT supporter in the Senate.

▶ ONE HALF OF THE TOTAL TAX BURDEN is carried by the wealthiest 15 percent of U. S. households. The poorer half of the population pays less than 15 percent of all taxes.

That's the conclusion of The Distribution of the Tax Burden, a book published by the American Enterprise Institute. Sure to be controversial, the study is by economists Edgar K. Browning and William R. Johnson.

The U. S. tax system is far more progressive than is commonly believed, say the authors. They attribute differences between their findings and other studies to their use of improved analytical

### **WASHINGTON LETTER**

methods for allocating the burden of indirect business taxes.

▶ PEOPLE ARE TURNED OFF by the federal government in general and federal taxes in particular, researchers are finding.

A poll for the Advisory Commission on Intergovernmental Relations shows that people now pick local government as the level giving them the most for their money.

It's the first time federal government has been out of first place since polling began in 1972, says the congressionally chartered group. State government has always come in third.

Other interesting findings: The federal income tax was named worst tax by a plurality of 37 percent. Eighty-five percent favor either freezing federal taxes and services or lowering them.

Similar results turned up in a study by the University of Michigan's Institute for Social Research, which says American confidence in government is at its lowest level in 20 years.

► EXPECT A BIG JUMP IN UNEMPLOYMENT. Rate will shoot up by next spring.

Why? The Federal Reserve's inflationfighting clampdown on credit has boosted interest rates to record highs.

Result: Potential home buyers and businesses can't afford loans.

A domino effect develops. Initial unemployment in construction eventually spreads to the labor force of industries making construction supplies.

Note: A one percent increase in unemployment costs the federal budget from \$18 billion to \$22 billion in lost revenue and additional outlays for aid.

▶ VALIDITY OF A KEY ECONOMIC barometer is questioned by Citibank economists.

They say the consumer price index from the Bureau of Labor Statistics overstates inflation by giving too much emphasis to products such as food and energy and not enough to others such as clothing.

Further, they say, the index ignores the tendency of consumers to change their spending patterns in response to changes in prices.

A better inflation guide, the econo-

mists say, is personal consumption expenditures (PCE), from the Commerce Department's Bureau of Economic Analysis. This index puts current inflation at ten percent. On the CPI, it's 13 percent.

Any change in inflation measurement would cause big political and economic repercussions because of the number of things indexed to the CPI.

▶ WILL ANYTHING DO WELL IN THE 1980s? Yes, says Standard & Poor's Corp., which foresees stock prices considerably higher at the end of the decade than they are now.

S&P lists six industry groups that will show above-average growth in the 1980s: Building materials, high-technology products, energy, health care, leisure, raw materials, and food.

► MAJOR CHANGES COMING in U. S. military strategy? Could be. Business should watch for opportunities.

Possibilities: An increase in all military procurement, added emphasis on conventional weapons and supplies, more defensive hardware, new interest in civil defense programs, changes in reserve and recruitment policies.

▶ UNION WATCHERS should know about the Journal of Labor Research, a semiannual publication from the economics department of Virginia's George Mason University.

"Scholars have not subjected labor unions . . . to anything like the same degree of scrutiny that has been applied to business," say the journal's editors. They promise an objective assessment of labor issues.

► AN ENDORSEMENT OF BUSINESS ACTIVISM is how U. S. Chamber of Commerce President Richard L. Lesher interprets the organization's membership growth.

The national business federation's roster numbered 90,205 on Oct. 31, an increase of more than 70 percent since 1975.

Included in that total are 86,257 business corporations and firms, 2,661 local and state chambers of commerce and American chambers of commerce abroad, and 1,287 trade associations.

# INDUSTRY UPDATE

### New Wastewater System Helps Developers

A MAJOR PROBLEM for developers of some small parcels of land is disposal of human wastes; and many jurisdictions have long waiting lists for sewer connections, if not outright moratoria. An alternative, use of septic tanks and drainfields, is limited in many instances by unsuitable or unavailable land.

According to the experts, nearly one half of U. S. land cannot be developed using standard wastewater treatment methods. For the remainder, use of drainfields takes land, frequently highly priced, from productive development.

To overcome these problems, the Thetford Corp. of Ann Arbor, Mich., which 16 years ago developed the Porta Potti, has developed a new system called Cycle-Let that recirculates water in a closed system. It comes in various capacities and the largest to date went into operation this fall at a new shopping and community center in Great Falls, Va., just outside Washington, D. C.

Village Centre developer Douglas Cobb says he picked the Thetford system because sewer connections were unavailable and he wanted to develop the approximately 17-acre parcel as completely as possible. Land in the Great Falls area sells for as much as \$174,000 per acre. At that cost, setting aside several acres for a drainfield would be expensive.

Thetford's Cycle-Let system for Village Centre treats wastes from 69 toilets and urinals and wastewater from sinks and lavatories. Water for the rest rooms can be recycled, but use of fresh water in the sinks adds water to the system, creating a need for a 1.5 acre drainfield. The treated wastewater, a Thetford spokesman says, is close to the quality of rainwater.

Cost of the Village Centre's Cycle-Let system is \$175,000. "You don't have to save too many acres to pay for it," says Mr. Cobb.

"In addition," says David Calhoun, Thetford's manager of customer, technical, and marketing services, "the equipment can be depreciated. You can't do that with land."

The Thetford system uses toilets and



The Village Centre, a 17-acre shopping and community center in Great Falls, Va., uses Thetford's Cycle-Let system, housed in a corner of one building (see arrow), for recirculating treatment of wastewater, thus reducing septic tank drainfield.

fixtures that require very little water to operate. A conventional toilet, for example, will use five to seven gallons of water for each flush; a toilet used with the Cycle-Let system uses about one-half gallon. Conversely, a conventional toilet costs about \$55; special water-saver units used with the Cycle-Let system costs about \$187. Nevertheless, Mr. Cobb says reduced water costs pay for the costlier units in a couple of years. Furthermore, it's cheaper to pay for the electricity used by the Cycle-Let system than for the additional water.

Solid waste that remains in the Thetford system is so slight that it needs to be pumped out only every few years. Mr. Calhoun says that 100,000 toilet flushes in a conventional system will eventually become 74,000 pounds of sludge that a municipal treatment plant must dispose of. On the other hand, the same number of Cycle-Let system uses will produce only 350 pounds of sludge.

The manufacturer, who has smaller systems operating in four states, believes future opportunities are in expanding the system capacity for use in hotels, office buildings, industrial parks, recreational complexes, and housing subdivisions.

Another version of a closed-cycle waste treatment system, so far applicable only to households, is produced by PureCycle Corp. of Boulder, Colo. An underground system that contains 1,500 gallons of water, it is designed for a family of five.

No water goes into the system, which has five stages of purification, and no effluent comes out. The only gains are through disposed food or drink or from bathrooms; the only loss is about one gallon a day from evaporation.

About a dozen units are installed in Colorado, where the state health department gave its approval in August. Marketing will be primarily in the West.

The firm says that after the household system is perfected smaller units for recreational vehicles and boats and larger systems for business or commercial use will be developed.

### New Plywood Process Uses Wood Flakes

Foresters have focused for years on how to make more usable products from each tree and one result of the research is Georgia-Pacific's planned introduction early next year of a new type of plywood that will nearly double the number of panels that can be made from a tree.

When production lines roll, Stable-X will be the first composite plywood produced commercially in the southern pine region. The new product is formed like a sandwich, with wood veneer faces and backs bonded with resin to a core of specially cut and bonded wood flakes, says H. S. Mersereau, Georgia-Pacific's southern division senior vice president.

Mr. Mersereau says advantages over conventional all-veneer plywood include more rigidity and absence of voids or knots in the cores. "Good wood unusable as veneer for conventional plywood cores can be used for the special flakeboard, substantially increasing utilization of forest resources," he says.

### Whirlpool Sees Stability in Appliance Industry

The sale of appliances should not suffer greatly throughout the predicted economic slowdown, according to a forecast by the Whirlpool Corp., Benton Harbor, Mich.

The industry should experience only a one to 1.5 percent drop in demand for new and replacement appliances this year.

This compares to a 30 percent drop experienced by the industry during the 1974-1975 recession, says J. B. Hoyt, Whirlpool's manager of market analysis.

Insulation against recessionary impact during the final half of 1979 is due to stability in the housing construction market, he says.

"There will be a limited growth of disposable consumer income, but the housing industry has not overbuilt and the demand for housing should remain constant," he predicts.

A steady housing market is also predicted by Chase Econometric Associates, Inc. The data from one study show housing starts will decline slightly from two million in 1978 to 1.7 million in 1980.

This stability will support the demand for new appliances, which account for one third of the industry's total demand. Replacement of used appliances is expected to be affected the most, Mr. Hoyt says, because consumers will be spending limited dollars on the more expensive petroleum-related products.

However, Mr. Hoyt predicts the industry will grow an additional two percent during 1980—a figure lower than in previous years due to a predicted lag in housing starts. But by 1981, he expects the industry will experience a rebound and post a growth of ten percent in volume.

### Computer Translator Saves Time and Money

If you do business in foreign countries, a multilingual word processor that can translate material 75 times faster than a human translator can cut your costs.

One such device is a revolutionary computerized translation system introduced by Weidner Communications, Inc., of La Jolla, Calif. The first units had an English/Spanish capability; an English/French model was introduced in June.

Rather than replacing the human translator, the system frees the translator to function as an editor. The system can translate raw data from a source language to a target language at a speed of 24,000 words an hour; the best human translators can handle about 2,000 words a day.

The complete system sells for \$155,000, but a company with its own computer system can purchase only the necessary software for half the cost. The firm says its system is designed to be cost effective for any company that has as few as two translators on its staff.

Within the next year, Weidner Communications plans to introduce additional systems in German, Arabic, Portuguese, Russian, Italian, Japanese, Hebrew, Dutch, and Chinese.

### Brush Eater Lets the Pine Trees Grow

Jaws III is lumbering through the brush near Crossett, Ark.

Instead of devouring people like the giant shark of filmdom, this Jaws is a biomass harvesting machine capable of chewing up and producing one to 15 tons of biomass fuel per acre from otherwise useless brush on southern pine timberlands.

The fuel produced equals up to 1,088 gallons of fuel oil an hour.

Georgia-Pacific Timber spent three years developing the 17-ton prototype. Vice President John E. Wishart calls the harvester a new ecological tool, possibly a substitute for weed-killing chemicals.

"For people who do not need the biomass fuel, there are new markets de-

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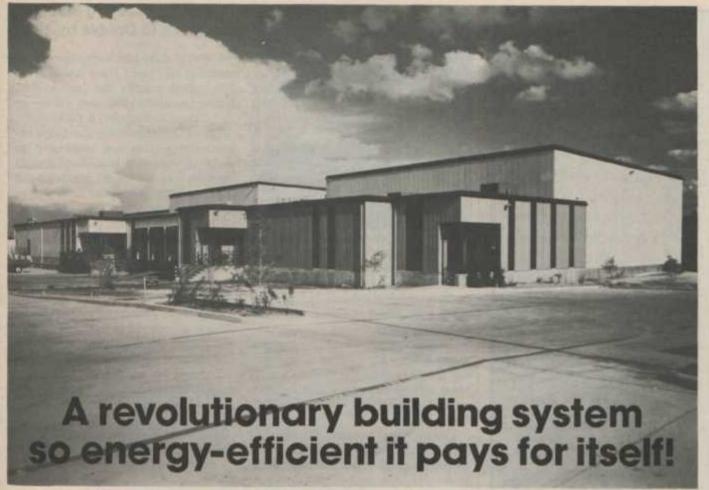
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Georgia-Pacific's brush eater, dubbed Jaws III, produces valuable biomass fuel.

veloping. For those with access to sufficient land, the harvester can be a whole new source of income in farmed fuel," Mr. Wishart notes.

Georgia-Pacific is already making good use of its forest scrap. Even without the harvester, the firm's Crossett plant obtains more than half its energy needs from chips and other refusederived fuels.

The harvester consists of a forward section that carries the driver and a cutting-chipping head. This consumes brush and trees up to eight inches in diameter in an eight-foot swath. Chips are blown into a hopper behind the operator's cab. The second section carries a 430-horsepower diesel engine.

By subduing trash brush every three years or so, a company spokesman says, desirable southern pine will be able to grow better and faster.

### Near Record Business Equipment Exports Seen

The Computer and Business Equipment Manufacturers Association, based in Washington, D. C., predicts the positive balance of trade for computers, copiers, calculators, and other types of business equipment will approach a record \$4 billion in 1979. In 1978 the favorable balance totaled \$2.8 billion.

"The continuing growth of computers (about 80 percent of the favorable balance), copiers, calculators, automatic typewriters, cash registers, word processors, and other types of equipment in world markets is particularly encouraging at a time when overall U.S. trade is in serious deficit because of declining productivity, the nation's oil imports bill, and other factors," says Vico E. Henriques, president of CBEMA.

### Use of Engineering Plastics Expected to Double by 1986

Use of plastics as a basic engineering material will more than double from 700 million pounds last year to 1.65 billion pounds in 1986, says a study by E. I. duPont deNemours & Company.

The chemical industry giant says engineering plastics are continuing to make inroads into traditional metals markets and no longer are regarded solely as replacements or alternatives for metal parts.

"More designers are turning to plastics because of their high performance characteristics and strength and because low-cost assembly capabilities lead to production cost savings," the study states.

One major plastics user, the auto industry, is expected to steadily increase the volume of low-weight plastic materials to increase fuel efficiency.

Demand for competing engineering materials, such as die-cast zinc, magnesium, aluminum, and copper will also be up, the study notes, with aluminum predicted to reach nearly ten million tons in 1986, up from six million tons in 1976.

### Managers Still Prefer Human Element in Offices

Office managers still prefer personal secretarial assistance to the use of dictation and word processing equipment and that is not expected to change through 1983, according to an analysis of the industry by Creative Strategies International of San Jose, Calif.

Although overall industry growth should exceed 12 percent by 1983, Larry J. Wells, president of CSI says that only 18 percent of the total market has been penetrated. "Managers still prefer the human element, the personal contact of their support staff," he says.

"Greater use of dictation and word processing equipment will require a change in office operations. That probably won't occur until secretarial help is in short supply and the business load increases."

The analysis predicts that over the next three years the sale of dictation equipment will grow from \$280 million in 1979 to \$475 million in 1983. Most of this growth represents updating old equipment or adding new equipment to an office already using dictating machines.

It does not necessarily represent new users. There are so many desktop calculators to choose from, you want to be sure you're getting the most for your money.

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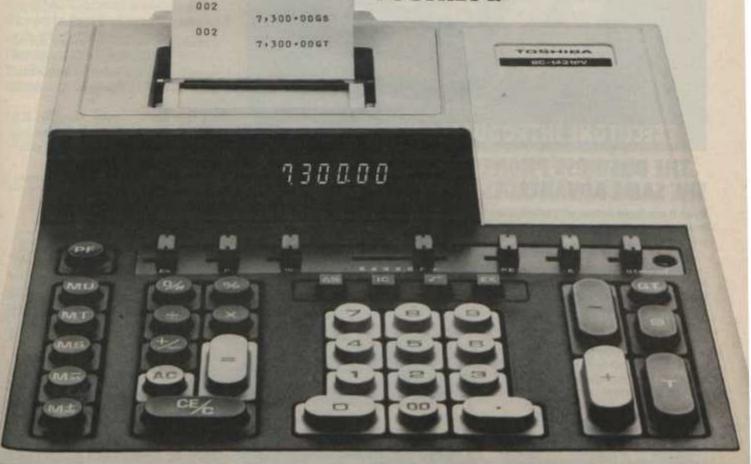
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### Of Lollipops and the ERA

James J. Kilpatrick says he has never been able "to discover what constitutionally is meant by equality of rights under the law." ["ERA: Losing Battles, But Winning the War," Oct.]

Not knowing hasn't stopped us from

guaranteeing that equality to men; why should it stop us from guaranteeing it to everyone? We didn't know where guaranteeing equal justice to men would lead us, and we still don't because we can't predict the future. Why should women individually have to fight discrimination like the Alabama surname case, the Idaho probate case, and the Florida hiring policy case? Men don't have to fight individually for every inch of their just due. Men got all their guarantees at once, when the first ten amendments to the Constitution were ratified.

If we were back in our country's revolutionary days—when, incidentally, women boycotted English tea and manufactured goods to help the cause—Mr. Kilpatrick would probably be advising us to secure our rights from the crown, bit by bit. His timidity wouldn't have been very inspiring then, either.

JOAN A. TOBIN Secretary International Freight Terminals East Granby, Conn.



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### Too clear

I want to express my support of James J. Kilpatrick's commonsense approach to what our government is and should be. ["Farewell the Lollipop," Sept.]

I was going to suggest that Mr. Kilpatrick run for office, but after reading his article, I think he sees things much too clearly to be a politician.

MAX E. WESTFAHL. Westfahl Associates Wichita, Kans.

### Practical reasons

I applaud "Farewell the Lollipop" and agree with the constitutional and practical reasons for Mr. Kilpatrick's criticism of the pending junk food regulations in schools.

But there is a reason that 80 percent of a polled group support the regulations. School boards and their constituents overwhelmingly support the federal handout known as the school lunch program. They want the subsidy to continue, and this permits the federal bureaucracy to regulate junk food.

The old saying, "he who pays the piper calls the tune," applies here and in dozens of other programs where people accept federal subsidies.

I know the claim that thousands of

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It's a simple fact: The less your truck sees of the shop, the better. And that is where GMC Truck and Coach, a division of General Motors, can help you. You see, GMC has devoted considerable attention to helping you keep downtime down. Here, for example, are just a few of the downtime-saving features you'll find in a GMC General.

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### ALL SWITCHES AND GAGES POP OUT.

Electrical maintenance in the GMC General is very easy, thanks to these self-contained units that can be quickly removed and replaced from the front of the instrument panel.

STARC:

### .2.

### FIBERGLASS HOOD

The GMC General has a tilt-off fiberglass hood for easy, one-man access to the engine. In addition, the hood is constructed in four major pieces. So, if one part needs repair work, you won't have to replace the entire hood.

### .3.

### AIR BRAKE LINES ARE COLOR-CODED.

The GMC General features an air brake system which is color- and size-coded for quick, convenient identification and replacement. All electrical wiring is also color-coded. Plus, the General's air-line filtings are reusable, which helps cut your service costs even more. What's more, GMC now offers a newly designed air conditioner that operates only when needed to help reduce wear and tear on the unit. And, with fewer moving parts to replace, it's easy to service, too.

### .4.

### DELCO FREEDOM BATTERY IS MAINTENANCE-FREE.

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poor children would not get a satisfactory breakfast or lunch unless it is furnished by the schools. But unless we pay for these things ourselves, we will continue to see more and more federal regulations on these and other programs.

SAMUEL S. BAXTER Chairman of the Board East Girard Savings Association Philadelphia, Pa.

### Gainful pettiness

Mr. Kilpatrick's article, "Farewell the Lollipop," was superb. He might also have pointed out that government workers can afford to spend a decade "of furious activity to produce a monument to bureaucratic pettiness" because they get paid regardless. Private enterprise does not work that way.

> WILLIAM S. NAUGHTON Vice President U.S. Life Credit Corp. Schaumburg, III.

### Absolute greatest

Mr. Kilpatrick's article, "Farewell the Lollipop," was the absolute greatest on the creeping tentacles of the federal government. The Orwellian society of 1984 could be a very real event if we permit it, but hopefully people like Mr. Kilpatrick will continue to speak out and try to educate those who are too lazy to think for themselves and want Big Brother to do everything for them.

> ROBERT K. PARSONS Plant Manager Franklin Mineral Products Co. Franklin, N. C.

### Self-rule

I am disturbed that Mr. Kilpatrick's mail was four to one in favor of additional federal regulations governing food vending in schools. I am very much in favor of the basic contention that individuals should rule themselves as long as their freedoms do not impinge on the freedoms of other people.

I have written to my representatives in Congress urging them to speak out for the freedom of the individual as opposed to the continuing centralization of power in Washington.

> JOHN L. GLENN, JR. Senior Vice President Sun First National Bank Orlando, Fla.

### Simplistic argument

The article, "The Great Truck Weight Debate" [June], presented a balanced account of the issues raised by increasing truck weight. However, two points should be clarified.

First, the General Accounting Office report focuses on overweight vehicles. a practice universally condemned by the trucking industry, rather than on jurisdictions that historically allow heavy trucks and design and maintain highways accordingly.

Second, the railroad industry's argument that increased efficiency of motor carriers will injure rail revenues is simplistic. The current array of differing laws discourages intermodal shipment of truck trailers.

Although trailers have grown, most flatcars cannot haul units measuring more than 40 feet. Additionally, double trailers are not shipped by rail to states where they must be uneconomically driven singly.

The future of the nation's transportation system depends on encouraging efficient carriage of freight. A national policy cannot be based on discouraging one method over another.

CHARLES J. CALVIN President Truck Trailer Manufacturers Association Washington, D. C.

### Fundamental flaw

The greatest flaw in the windfall profits tax is that it ignores the fundamental forces of competitive markets by decreasing the incentive to invest.

When the price of a good is forced below its equilibrium level, there will be less output of that good. With the threat of impending oil shortages, it is not appropriate to reduce incentives to produce more oil or any other energy source.

In the case of oil, a rise in the market price for whatever reason is a signal to producers to raise production, and the higher price is the incentive to produce it.

Since producers face increasing cost per barrel, production will increase only when prices rise as compensation for greater output.

> HOWARD JENNISON Ponca City, Ohla.

#### Group sales scored

A recent issue mentioned that the president of Connecticut General Life Insurance Co. favored group homeowners and auto insurance. ["Robert Kilpatrick Ensures That CG Is Out in front," Sept.]

I disagree with his position. This insurance on a group basis is not sold. It is deducted from payrolls by corpora-



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Turn-Key Distribution Systems, Inc. Woburn, MA (617) 935-2400

Up-Time Systems, Inc. Tulsa, OK (918) 663-8821 tions that have elected to do this sort of bookkeeping.

It prevents individuals from choosing an agent and paying their premiums themselves.

I feel that this type of insurance should not have entered the field at all. It is grossly unfair to the agency system. Group contract sales are not individually consummated and are never sold in the true meaning of the word.

> AUSTIN M. KELLAM Austin M. Kellam Insurance Binghamton, N. Y.

### The public pays

Many Washington politicians favor the concept of a value-added tax because they can hide it.

When will American consumers realize that they pay all taxes no matter when, how, or at what level they are levied?

When taxes gouge businesses, the public breathes a sigh of relief and thinks, better them than me. How do they think businesses pay these taxes? That's right, by adding to the prices of their products and services. You pay it, even when you can't see it.

The profligate politicians will tell you that VAT is only a tax on consumption, but the truth is that all taxes are on consumption.

R. DAVID SMITH
President
Buffalo Area Chamber of Commerce
Buffalo, N. Y.

### Busing and energy

For many years, the professional planners and engineers have been endeavoring to preserve the neighborhood concept focused on home, church, and school.

Our courts did not see fit to continue this planning concept and ruled that all children should become commuters at the taxpayers' expense. Thousands of school buses were purchased, and the total miles traveled each day by these buses is staggering. A bus averages less than five miles per gallon, so the daily consumption of fuel is likewise astronomical.

We are admittedly faced with an energy crisis, yet the people who represent us vote down an antibusing bill in the name of integration of the school system. How foolish can one be? Congress should adopt antibusing in the light of a sensible recognition of our energy crisis, which is reason enough.

The parents of small children, I am

sure, would welcome the change to a neighborhood school rather than have their children bused for two or more hours each day.

> F. E. HALL Hall, Burle Gibson, Ltd. Greenville, Miss.

### Good question

My warmest congratulations for printing the enlightening article, "Out of Work, But in the Money." [Sept.]

It is a shame that the news media fail to point out such things to the taxpaying public. I would like to ask all concerned taxpayers if our elected representatives in Congress are upholding their oaths of office when they vote such funds for the unemployed, paid for by the working taxpayer?

> C. G. WHITEHURST Whitehurst Insurance & Reulty Durham, N. C.

### Research needed

The article, "Out of Work, But in the Money," referred to programs being supported through trade adjustment assistance. That is now being considered as a means of financing the federal Pension Benefit Guaranty Corp., which will provide pension plan termination insurance.

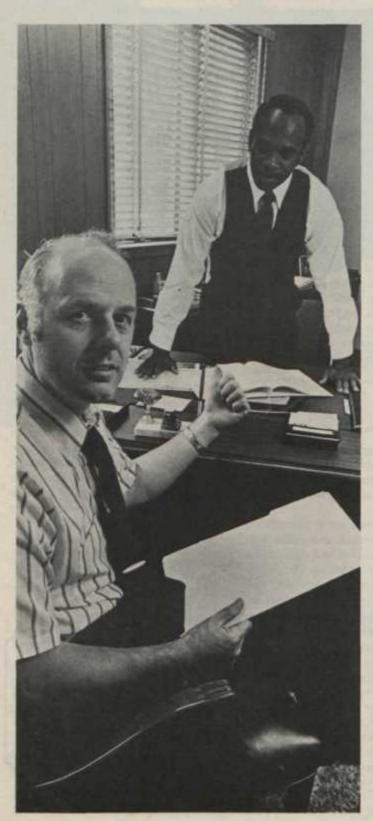
The government has estimated that liabilities of the PBGC could run as high as \$4 billion, representing a substantial flow of general revenue dollars into the private pension system.

The points raised in the article and the current PBGC situation provide fascinating research opportunities. For example, what are the future implications for private plans and retirement benefits once general revenues flow into the system? This kind of question should be reviewed before expanding the payments the article outlines.

DALLAS L. SALISBURY
Executive Director
Employee Benefit Research Institute
Washington, D. C.



# "Mitch said I was self-assured, but not insured half enough."



"Nobody's knocking self-assurance.

"That and a lot of elbow grease helped me grab the brass ring. But sometimes too much self-assurance blinds you to pretty important concepts. Concepts like insurance.

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Mitch convinced me that I did. With a professional assessment of where I am today and where I want to be tomorrow.

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### The Parties Are Over, But the Politicians Linger

THE TWO-PARTY SYSTEM, once the healthiest organ of our body politic, is sick and getting sicker. Almost no one is paying much attention. Except for a few pundits and a platoon of political scientists, only a handful of people in public life appears to care whether or not the system survives.

We sometimes tend to forget how deeply the two-party system is entrenched in our customs, our laws, and our political institutions. All of our political scorekeeping is based on Republicans and Democrats. Both state and federal election laws are predicated on a party structure. Legislative committees are organized in terms of majority and minority members. Various federal boards and commissions must be constituted on party lines. We are wedded to the system, and the marriage is in trouble.

Time was when political parties had substantive meaning in this country. The system can be traced to the third presidential election in 1796, when the Federalists put up John Adams and the Democrat-Republicans put up Thomas Jefferson. This division lasted until the election of 1820. Then followed a period of confusion marked by the rise and fall of the Whigs. With the Lincoln-McClellan race of 1864, the present two-party structure became a fixture of political life.

VER THE PAST HUNDRED YEARS, only the two major parties have had much significance, with a few exceptions. Populist James B. Weaver won 22 electoral votes in 1892. Robert M. LaFollette carried Wisconsin for the Progressives in 1924. More recently, Strom Thurmond won 39 electoral votes in 1948, and George Wallace took 46 in 1968 under the banners of the States' Rights Democrats and the American Independents. We have had many other minor parties-Straightout Democrats, Greenbackers, Prohibitionists, Socialists, and Laborites-but they have mostly amounted to small potatoes. Historically, most voters have counted themselves Republicans or Democrats and have identified politically with one party or the other.

In the day of Mr. Dooley in Chicago, party loyalty was a mark of character. The Dimmycrat who defected to the Raypublicans was shunned as a traitor to his people. It was the same story, in reverse, for the GOP in Vermont, New Hampshire, and Maine. We knew yellow-dog Democrats and rock-ribbed Republicans, and among those who took their politics seriously, party affiliation was an accepted way of life.

This was because the parties meant something

in those days. They performed obvious political functions. They groomed young men, and later young women, to run for common councils, boards of aldermen, and county commissions. They screened candidates for the offices of sheriff, treasurer, court clerk, and eventually for senator, representative, and governor. The parties raised funds, organized campaigns, staged rallies in the park, and got out the vote on election day. They also had other functions. Mr. Dooley's Dimmycrats had a welfare function—a scuttle of coal for a poor family in Ward Six. They provided a focal point for social life—the precinct picnic and the



ward ball. Officeholders lived by the ward and died by the ward. Patronage was withheld or dispensed as punishment or reward.

URING THAT TIME, ideological differences were sharp. The Republicans' platform of 1908 summed them up: "In history, the difference between Democracy and Republicanism is that the one stood for debased currency, the other for honest currency; the one for free silver, the other for sound money; the one for free trade, the other for protection; the one for contraction of American influence, the other for expansion. . . . The present tendencies of the two parties are even more marked by inherent differences. The trend of Democracy is toward socialism, while the Republican party stands for a wise and regulated individualism. Ultimately, Democracy would have the nation own the people, while Republicanism would have the people own the nation."

O tempora, O mores! Nothing much remains of the old historic functions. Agencies of the governments have taken over welfare. The civil service has sanitized patronage. Social functions have gone somewhere else. The ambitious fellow who wants to run for a seat in Congress may be only nominally a Democrat or Republican; more often than not he ignores the party machinery. Candidates today form their own fund-raising committees, draw support from political action committees, take to the television, and run as they please. The parties can impose few punishments and grant few rewards. The ideological differences have dwindled to the level of Tweedledee and Tweedle-dum. "I will be efficient," said Mr. Ford. "Me, too," said Mr. Carter.

The electorate recognizes all this. In a recent Gallup poll, Republicans wound up with 22 percent of the voters, the Democrats with 45 percent. Almost one third of the people now affiliates with neither major party. Among voters in the 18-to-25 bracket, the disaffection is more severe. Some polls indicate that half of these young people wants no part of the old allegiances.

Congress. Look back to the 95th Congress, when Mr. Carter insisted on calling up his bill to create a Consumer Protection Agency. Substantially this same bill had passed the House in 1971 and again in 1974; it had passed the Senate as well in 1975. It never became law. The Speaker pleaded with fellow Democrats to stand by a commitment in their party platform, to support their own Democratic President. They called the roll up yonder, and the bill went down to ignominious defeat, 227-185. On the vote, 101 Democrats deserted their leader.

This was typical. In the 95th Congress, 106 Democrats deserted the leadership on an issue of standby gasoline rationing. The leadership in the Senate lost 40 Democrats on an energy question involving nonessential lighting. On a question of aviation noise abatement, the leadership lost 44. The current 96th Congress has been as rebellious. Look at any day's roll calls on bills requested by the President. Democrats support their own leader barely 60 percent of the time. In September, on a critical vote involving implementation of the Panama Canal treaty, the leadership lost 78 Democrats in the House. In the Senate, an effort to cut foreign aid by \$420 million against the President's wishes was defeated 50-48; Democratic defections nearly carried the day.

The evidence is overwhelming that the two-party system has virtually ceased to have substantive meaning. Far more accurate scorecards now are maintained under the headings of conservative and liberal. The quadrennial party platforms continue to proclaim bold distinctions, but once the conventions have adjourned, the distinctions swiftly fade.

When it comes to fund-raising, the political action committees now reign supreme. In 1974, we had 80 such committees; they raised \$12.5 million. In 1978, we had more than 800, and they raised \$35.1 million. They now provide one fourth of every political dollar that is spent.

The rise of the PACs has been accompanied by

a dramatic expansion of one-issue blocs. We always have had a few groups whose political interests were sharply confined. Now, we have dozens of active, well-organized outfits whose be-all and end-all lies in abortion, gun control, the Panama Canal, or the limitation on the size of irrigated farms in the West. Single-issue politics whipped Sen. Dick Clark of Iowa in 1978; other senators are similarly targeted in 1980.

SSUMING FOR THE MOMENT that the two-party system is as sick as I think it is, two questions arise: Does it matter? And if it does, what do we do about it? Yes, I think it does matter. We are not about to rewrite our entire Constitution so as to adopt the British parliamentary plan; we simply are not geared to the kind of absolute party loyalty demanded by the Labour and Conservative parties in the House of Commons. But in most of our doings we recognize the truism that a house built on sand cannot stand. The parties as parties are becoming more useless all the time, yet we continue to present the facade of party responsibility, party leadership, party caucuses, and the rest. It matters that our system is a sham, a bit of make-believe, an agreeable kind of nostalgic fiction. It matters that our politics is yielding to shifting coalitions of PACs and pressure groups. Such a system is marked by nothing systematic; a superficial order cannot indefinitely mask disorder down below.

What do we do about it? Damned if I know. If we ever were to commit the absolute folly of going to the direct national election of presidents, our moribund two-party system would be done for. On a single, uniform national ballot, a dozen parties would compete, and the wishy-washy Democrats and Republicans, having long since abandoned any reason for existence, would be engulfed by the passions of the No Nukes Party, the Right-to-Life Party, and the Party of Tax Limitations. But this Congress has killed the resolution for direct presidential elections. We are stuck with the state-by-state fragmentation of the two parties, and that's fine with me.

Whenever we act politically in the United States, we act through our states. This principle of federalism is part of our strength and will not be abandoned. And as long as we elect sheriffs, court clerks, and revenue commissioners through the two-party system—as long as we divvy up state legislatures in this fashion—it is idle to talk of ideological reorganization across the nation. As a young editor 30 years ago, I used to dream of a thunderclap miracle at midnight: We would wake up born-again Conservatives and Liberals. I still think wistfully that it ought to happen, but it won't.

What we will do, I think, is simply drift along until the bankruptcy of the two-party system compels reorganization. Meanwhile, we will content ourselves—or discontent ourselves—with partisan leaders who command few followers. The parties are over. Trouble is, the guests won't leave.



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# OUTLOOK

### THE ECONOMY

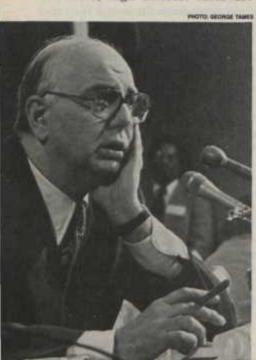
### Better Plan on a Recession

A grim year ahead is the consensus of the economic forecasts. Until the Federal Reserve System clamped down on credit, the crystal balls were cloudy. A surprisingly strong third quarter followed weak first and second quarters. Leading indicators gave mixed signals. And hanging over everything was the specter of increasing inflation.

Now, the picture is clearer. If the Fed and the administration stay with the painful measures necessary to control inflation, there is little doubt of a recession.

"It's important to remember that the Fed isn't the cause of high interest rates," says Richard L. Landry, administrative director of economics for the U.S. Chamber of Commerce. "Inflation is the cause of high interest rates, and the Fed is just trying to do something about it."

However, high interest rates are



Federal Reserve Chairman Paul Volcker raised interest rates to cut inflation.

hard on business, especially small business. But then, inflation hits hard, too. If the policy choices are difficult for business groups, they are even more painful for politicians. Conditions will probably hit bottom just before the next election, economists believe.

The good news is that the recession is expected to be brief. Recovery should be under way by next fall, setting the stage for a prosperous 1981.

### Boosting Productivity Is Becoming Popular

Both in Congress and among the general public, improving productivity has become a popular cause.

A recent survey by Opinion Research Corp. of Princeton, N. J., shows both substantial sentiment for tax credits to help business modernize and strong support for ending double taxation of dividends.

In Congress, several bills have been introduced to stimulate productivity by:

- Depreciating the unrecovered portion of capitalized research expenditures over periods as short as five years rather than 17 years.
- Allowing new firms a loss carryforward of ten years instead of seven.
- Granting a ten percent investment tax credit for research and development expenses incurred in an experimental or laboratory setting.
- Offering a ten percent tax credit up to \$750 to an individual who makes an investment in incentive stock under Section 12 of the Securities and Exchange Act.
- Disregarding gains from the sale of incentive stock when the proceeds are reinvested in another new venture within 18 months.
- Accelerating depreciation for property purchased by small business for \$25,000 or less, excluding real estate.
- Establishing federal research and development fund set-asides for small, innovative firms.
- Increasing the asset depreciation range from 40 to 60 percent.

### CORPORATIONS

### More Disclosure Wanted in Financial Statements

Starting with 1979 operations, about 1,200 large U.S. corporations and financial institutions will have to include supplementary information on the effects of inflation in their annual reports.

The change is mandated by the Financial Accounting Standards Board, which establishes accounting practices for the nation's CPAs.

Donald J. Kirk, chairman of the board says that without information on the effects of both general inflation and specific price changes, investors and creditors are limited in understanding past performance of an enterprise and assessing future cash flows. Also, government people who participate in decisions on economic policy may lack important information about the implications of their decisions.

Another advocate of fuller disclosure is the American Institute of Certified Public Accountants, which wants management to acknowledge its responsibility for company financial statements. The institute says that 25 percent of the nation's public corporations already do this.

An institute panel states: "It is incongruous that the party responsible for the representations does not have to acknowledge its responsibility and that the only report on the statements may be the auditor's."

### Corporate PACs Under Attack

A challenge to the growing clout of corporate political action committees has been filed with the Federal Election Commission.

The complaint, brought by the International Association of Machinists and Aerospace Workers and some stockholders in major corporations, notes that donations to corporate PACs are required by law to be voluntary. But employees solicited for contributions, the complaint says, are "mainly career workers whose advancement is entirely dependent on maintaining the good will of the employer." They are not protected by union job security or anonymity, the complaint says.

"What we have here," says John Kochevar, director of political affairs for the U.S. Chamber, "is something like a class action suit on behalf of people who aren't complaining, brought by people who aren't in the class.

"Since it is illegal for corporations and labor unions to contribute to congressional candidates or to coerce employees or members to contribute," Mr. Kochevar says, "the surge in PAC activity simply represents a decision by individual citizens to become politically active. Organized effort is healthier than apathy."

In 1978, \$35.1 million was contributed by 1,828 PACs to House and Senate campaigns. Of this amount, \$9.8 million came from corporate PACs and \$10.3 million from union PACs. In 1974, 516 PACs gave \$12.5 million.

As a percentage of total money raised by all candidates, however, PAC contributions have declined from 19 percent in 1976 to 16 percent in 1978.

### **SMALL BUSINESS**

### SBA Finds Most Federal Forms Break the Law

The Small Business Administration has been gathering evidence on the number of forms that the small business owner must complete for government agencies.

For the past year, more than 1,000 small businesses have been keeping diaries at the request of SBA on the number of federal, state, and local government forms that they are required to fill out.

The data show that most federal agencies are violating the Federal Reports Act, which requires all federal forms to be authorized by the Office of Management and Budget or the General Accounting Office.

More than 70 percent of the federal forms filed by small businesses have not been cleared through either agency. SBA says. Furthermore, small firms report that the most cumbersome forms and the highest number of forms come from the Internal Revenue Service, which is exempt from the law.

"Because these small firms volunteered time to maintain logs," says Vic Revera, project manager for SBA's office of advocacy, "we can now tell what agencies are imposing what requirements on which industry groups."

### New Small Loan Program for Women Entrepreneurs

Female entrepreneurs wishing to expand or start a business may be eligible for up to \$20,000 in loan money from the Small Business Administration under a new program.

After a survey conducted by SBA determined that the average business-woman prefers smaller loans, the Carter administration directed the agency to initiate a pilot mini-loan program. That executive order was made along with the creation of a national women's business enterprise policy last May.

Under terms of the program, an applicant must be able to prove that she owns, controls, and operates at least 51 percent of the business. The business must be independent and meet the same specifications as SBA's 7(a) business loan program. However, credit criteria for the mini-loan program have been liberalized. Loans will be granted despite a lack of collateral, SBA says.

"Since this is a special purpose program designed to relieve the historically limited access by women to business ownership and development, the character and demonstrated management ability of women and the viability of the business should be stressed ... rather than equity and collateral," the agency says.

Loans will be made to qualified businesses for up to ten years. Direct SBA loans will be available at 8¼ percent interest, and guaranteed loans will be made at ¼ percent over the current prime rate.

### **AGRIBUSINESS**

### More Research Needed to Raise Farm Productivity

Unless the public and private sectors support more research and development in the agricultural industry, a domino effect will cause a sharp decline in productivity and higher consumer food prices.

This prediction comes from economic studies for the Department of Agriculture and the Federal Reserve Bank of Kansas City.

According to both studies, U. S. agricultural productivity will continue to grow through 2000, but at a substantially slower rate. Since 1954, productivity increases have averaged 2.6 percent per year. Future productivity gains, they say, will probably average between one and 1.5 percent annually.

"Productivity gains are typically not smooth and continuous," says the bank



The technology that produced abundant food at low prices is being neglected, says the Agriculture Department, which recommends bigger research and development budgets.

### OUTLOOK

study. "but no other factor is so essential to increasing agricultural productivity as research and the rate of adoption of new technology."

Technology, says the Agriculture study, is the major force behind productivity growth. Therefore, it is essential that both government and private enterprise boost research budgets.

"Insufficient profits frequently mean decreased research efforts by many business firms as they tighten their belts," the bank study says. As the budget shrinks so does new product research. That slowdown stymies the adoption of new technology.

At best, new technology resulting from today's research would not affect agricultural productivity until 2000.

### INTERNATIONAL

### Japanese Trade Barriers Coming Down Slowly

Japanese protectionist policies are diminishing, but conspicuous exceptions remain.

"The climate for trade between our two countries has shown some improvement and, as a result, our trade deficit with Japan has lessened," says Sen. Lloyd Bentsen (D.-Texas), chairman of the Joint Economic Committee.

A recent General Accounting Office report shows that Japan has begun to peel away some of the layers of protection it has provided for years to its industry. But, says, Sen. Bentsen, "the new liberalized import policy is hampered, according to the GAO, by the fact that word of the changes hasn't reached mid-level Japanese officials.

"In addition, many U. S. exporters, once burnt, are twice shy. Even the most adventuresome Yankee trader is tempted to sail for calmer waters."

### Leading Indicators Are Gaining Abroad

"If a worldwide recession is brewing," says the latest Conference Board report, "the leading indexes have yet to learn about it. Usually they are among the first to know."

While the Conference Board's International Economic Scoreboard shows leading economic indicators in the United States sputtering, they are registering strong gains in other nations.

The international indexes are compiled by Geoffrey H. Moore, director of the Center for International Business Cycle Research at Rutgers University. They include such key statistics as new orders, materials prices, housing starts, profit margins, and stock prices. They have proven helpful in tracking recessions and recoveries, providing

advance warning of new inflationary trends, and anticipating shifts in the flow of foreign trade.

The continuing rise in the leading indexes of foreign nation's could mean solid growth for U.S. exports.

### TRENDS

### Most Employees Still Retire Before Age 70

A survey of 100 major U. S. employers shows that the trend toward early retirement has not been slowed by changes in the federal Age Discrimination in Employment Act that permit most employees to work until age 70 if they choose.

Charles D. Spencer & Associates, Inc., a Chicago firm specializing in information about employee benefits, found that during the first half of 1979, 70 percent of the employees who retired from the responding companies were younger than 65. In 1978, 62 percent of retirees from the same companies were under 65.

However, John Cisarik, associate editor of the Spencer firm, says: "Many respondents feel that continued inflation could change things drastically. People who retired this year most likely planned their retirement at least a few years ago, and the change in the law came after they had already decided to retire.

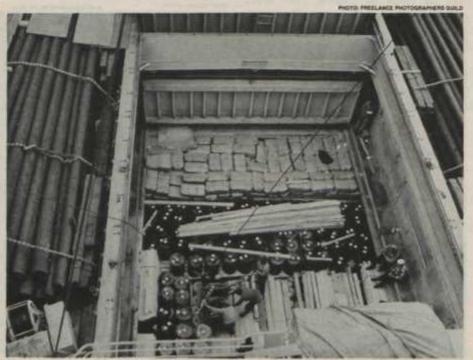
"But employees who reach age 65 in the next few years, armed with the knowledge that they can continue to work if they want to and faced with an ever-rising cost of living, may very well decide to postpone retirement for at least a few years," he adds.

### Mail-Order Complaints Take Big Jump

Complaints about mail-order purchases rose 43 percent during the first six months of 1979, says the Council of Better Business Bureaus, Inc., of Washington, D. C.

According to the latest survey, bureaus handled more than 45,000 complaints levied against mail-order firms, which traditionally lead the 15 businesses that draw the most complaints.

The increase is partially attributable to the recent bankruptcy of several national mail-order firms, says William H. Tankersley, president of



More American cargo will be going to Japanese markets, if Japan continues to liberalize its trade policies, according to Sen. Lloyd Bentsen (D.-Texas).

the council. "Thousands of orders were left unfilled when these companies went out of business. But complaints were also up for many other mail-order companies as well."

Not included in the general mail-order category are magazine subscriptions. More than 5,000 additional complaints were levied against magazines that either did not follow through with delivery of the magazine or erred in billing the customer.

Also high on the complaints list are franchised auto dealerships, auto repair shops, home furnishing stores, home remodeling contractors, television servicing companies, and roofing contractors.

Overall, the council says, consumer complaints increased eight percent over the first six months of 1978. Of the 443,300 complaints received, 212,700 resulted in formal action.

### GOVERNMENT

### Justice Pushing Harder for OSHA Convictions

The Justice Department wants the Occupational Safety and Health Administration to get tough with employers by referring more workplace fatality cases for possible criminal prosecution.

OSHA has sent 12 cases to the Justice Department since August, 1978, compared with five cases during its first eight years of operation.

So far, Justice has recommended prosecuting five of the 12.

The 12 referrals include four trench cave-ins, three explosions, one tractor accident, one crane accident, one electrocution, one scaffolding collapse, and one construction accident that Justice will not classify for fear of revealing the prospective defendant.

Of the five cases referred prior to August, 1978, one was dropped, two resulted in convictions, and one ended in a suspended sentence.

At this point, the odds are running in favor of the defendant. Only six cases have been prosecuted to a conclusion under the criminal sanctions provision. No one has gone to jail, and only two fines have been imposed. But complacency is not warranted, say experts at the U.S. Chamber, because the drive for more criminal prosecutions promises increased litigation.

### PERSONAL

### Job-Hunting Habits of the Middle Manager

About 29 percent of managers in the \$14,000 to \$75,000 pay range have a resume circulating, according to a survey by National Personnel Associates. The organization is a network of independent employment agencies specializing in middle-management jobs.

The survey also shows that when managers leave their jobs, the immediate supervisor is taken by surprise in 52 percent of the cases, suspected the employee was looking in 28 percent, and knew the employee was looking in 20 percent.

Nearly nine percent of managers who are offered a new job do not take it because their employer makes a counteroffer, the survey says.

The survey lists the major nonfinancial reasons for job changes as having insufficient responsibility or freedom, being stuck behind a slow-moving superior, and suffering from personality conflict with a superior.

Agencies found that 72 percent of the job applicants are employed. They get 81 percent of the jobs and receive compensation packages averaging 18 percent more than equally qualified unemployed applicants, the survey says.

### Career-Oriented Women Are Often the Happiest

Women working full time at higher salaries are the most satisfied with their lives, a University of Michigan study has found.

The report notes, however, that "if we look only at those women who are doing what they want to, employment seems to have no bearing on their selfesteem or life satisfaction."

The study included 1,145 women, separated into approximately equal groups according to age: under 35, 35-44, and 45 or older. Many had gone back to school after having a family; 46 percent received their highest degree when they were past 30, and 20 percent when they were past 40.

"It's not that full-time working women paint their lives as having no problems, but that the rewards appear to be substantial," says the report.

Career-oriented women showed

higher self-esteem than women who did not think of themselves as having a career.

Self-esteem was high among married women, and low among the never-married. The study also found that divorced or separated women who place high importance on their careers showed higher self-esteem.

### Work Load and Deadlines Cause Job Stress

A heavy work load and unrealistic deadlines are the leading causes of job stress, according to a study conducted for American Management Associations, New York, N. Y. Other major causes of job stress, the study disclosed, are disparity between the organization's goals and the manager's, and personal favoritism counting for more than job skills.

The results were compiled for AMA from questionnaires returned by 2,659 people in top and middle-management ranks.

Financial worries headed the causes of stress outside the work environment, followed by problems with children, physical injury, illness, or discomfort.

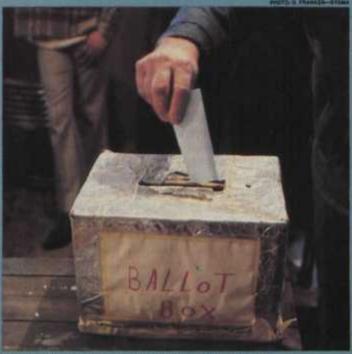
Stress has some positive value in helping personal growth and development, raising productivity, or enhancing a subordinate's job performance, the participants say.



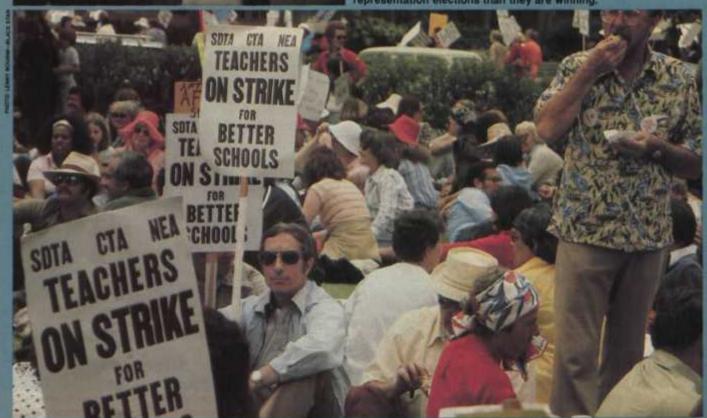
Women working full time in a well-paying career are happiest, one study concludes.



# Where



Organized labor faces major challenges in the next decade. Membership is slipping as the traditional manufacturing workforce shrinks because of automation and a more service-oriented economy. Unions are actively seeking white-collar and professional members such as schoolteachers, but are losing more representation elections than they are winning



# Unions Are Headed

Plagued by declining membership and a growing mood of conservatism in the nation, unions face an uphill road in their quest for more political clout and economic power

By Bob Gatty



George Mesny, who has been Mr. Labor for a generation, took his time in stopping down. He leaves behind a monument to his organizational prowess.



Lane Kirkland, heir apparent since 1969, faces the challenges of changing work patterns and workers' attitudes in the next decade.

Raskin of The New York Times sums up the problem: "Labor's ark is leaking."

The question is whether Joseph Lane Kirkland, successor to George Meany as president of the AFL-CIO, can patch up the holes and reverse the declining trend of organized labor's power and influence.

Mr. Kirkland, a soft-spoken, wellschooled federation veteran, faces major challenges such as:

A continuing slide in the percentage of workers who belong to unions.

 A migration of factories and jobs from the unionized Northeast and Midwest to the right-to-work states of the Sunbelt.

 An inability to win a majority of employee representation elections.

 A change in management techniques in many industries that is resulting in more nonunion plants and shops.

 A growing restlessness among an increasingly vocal segment that is pushing for more aggressive, more activist tactics as a means of regaining lost strength.

 A disenchantment among middleincome workers who are tired of excessive government spending and their leaders' support of more social programs.

### Neutral in primary

How Mr. Kirkland and the leaders of the federation's industrial and crafts departments, as well as the bosses of the major independent unions such as the Teamsters and United Auto Workers, will cope with these questions remains to be seen. But much of the union movement's future will be shaped during the 1980 elections.

Mr. Kirkland is determined to remain neutral during the Democratic primary battle between Sen. Edward M. Kennedy (D.-Mass.) and President Jimmy Carter.

Should Sen. Kennedy maintain his substantial lead in current public opinion polls over the President, the senntor, a proponent of national health insurance and other expensive programs, would be pitted against a Republican candidate urging less government regulation and spending

A Kennedy win next November would bolster union prestige, and moderates like Mr. Kirkland would be hard-pressed to resist leftward pressures toward an increased governmental role.

On the other hand, a GOP victory would bode still more difficult times for unions. A Republican President could be expected to battle against labor law reform, a 35-hour work week, or vastly expensive national health insurance.

"The challenge" says Mr. Kirkland, "will be to maintain increasing social and political progress in what appears to be a conservative, or even a reactionary, mythology of today. I am convinced that the public sector must play an increasing role to make life tolerable in this country."

It gets back to a question of leader-



Douglas Fraser, head of the United Auto Workers, will become organized labor's first member of a major company's board of directors—Chrysler. However, being a director is unlikely to stop him from demonstrating with the rank and file.



Professional and white-collar workers are targets for union organizing, as manufacturing workers continue to become a minority of the labor force. Membership in unions has shown a steady percentage decline in recent years.



Rising wages have turned many union members into economic conservatives, who worry more about paying for travel trailers than pushing for social programs.



Arnold R. Miller, United Mine Workers president who led a move to oust the old leadership, is now stepping down because of ill health. Many younger members had wanted to replace him.

ship," says a young labor lobbyist who is pushing for a more aggressive, antibusiness posture to attract new members and reverse political defeats.

"We've gotten out in front on a lot of issues. But you've got to get the troops to follow if you're going to be a leader," he adds.

Mr. Kirkland served a 19-year apprenticeship with Mr. Meany and had been secretary-treasurer and heir apparent since 1969.

### Cracks in the merger

During Mr. Meany's tenure, the nonaggression pact between the craft unions of the old American Federation of Labor and the industrial unions of the Congress of Industrial Organizations was reached, ending 20 years of civil war.

But shortly after Mr. Kirkland joined Mr. Meany as executive assistant, cracks began to appear in that nonaggression pact. Unions on both sides were stealing members from each other, and there was real fear that the merger would fall apart. Mr. Kirkland

is credited with formulating the arbitration system that safeguards against such jurisdictional battles.

Mr. Kirkland will be an interim president, a caretaker, according to some union sources. Their theory is that he will have to prove himself despite his past performance or face a stiff challenge for his office. But others like William H. Wynn, international president of the United Food and Commerical Workers International Union, the largest of the AFL-CIO's departments, strongly disagree.

### Power of the incumbency

"In his own right, Lane Kirkland will not be a caretaker," Mr. Wynn told NATION'S BUSINESS. "Under his direction, the AFL-CIO is going to thrive."

Others point out the value of incumbency. "It'll be as easy as getting rid of Stalin," remarked one labor insider, asking not to be identified. "He is a little lazy, a little cynical. But he will solidify power."

Mr. Kirkland may not have the cigar-jutting belligerence of George Meany, but there is no evidence that he lacks leadership strength.

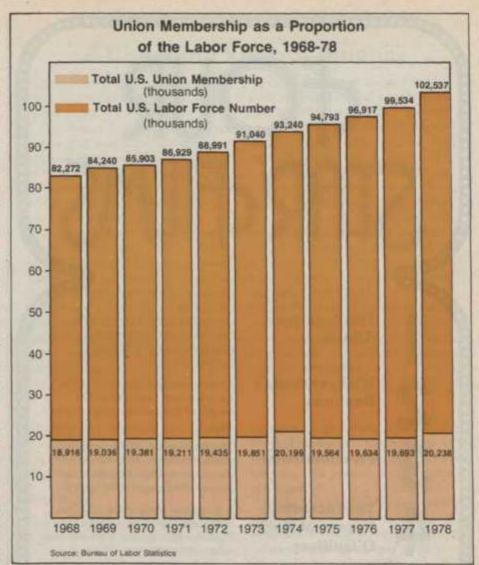
A month before Mr. Meany announced his intention to resign, Mr. Kirkland was at the White House to announce a national accord with President Carter that should substantially increase labor's influence in setting economic policy. It was an agreement that Mr. Kirkland helped hammer out and that Mr. Meany had failed to reach a year earlier.

### Tough negotiator

The White House objective was to obtain union cooperation in controlling inflation by reaching a consensus on wage restraints; to accomplish that a tripartite business-government-labor pay advisory committee was established. But Mr. Kirkland proved to be a tough negotiator, insisting that the price for labor's cooperation had to include White House commitments that meant money and jobs for important AFL-CIO power blocs, as well as administration support for organized labor's legislative priorities.

Later, when the 18-member pay advisory committee was sworn in, Alfred E. Kahn, chairman of the Council on Wage and Price Stability, warned against pressures for a wage catch-up with soaring prices.

Lloyd McBride, president of the United Steelworkers of America, whose union faces industrywide con-



tract bargaining early in 1980, said his major concern is "equality of sacrifice." To that, Mr. Kirkland replied: "Let's begin at the beginning."

Finding that beginning will be difficult. First, rising wages in recent years have pushed a substantial portion of the rank-and-file into the middle class—that same class that supports Proposition 13 movements to offset high taxes and inflationary government spending.

One union fund-raiser complained recently that organized labor's strong support for increases in the minimum wage was hampering his efforts. "My people don't give a damn about the minimum wage," he said. "They earn far more than that, and all it does is make the prices go up on the things they buy."

A senior Democratic congressman long associated with organized labor agreed. "The guy working under a union contract couldn't care less about the minimum wage," he said. "I don't think he has much sympathy for the unorganized worker. His primary concern is to pay for his house, his boat, and his kid's education, all the things most people worry about."

Workers struggling with house payments and college educations are not generally inclined to support more social programs that will benefit others outside the labor movement at the expense of those who pay the bill.

### Credit for Medicare

But Steven I. Schlossberg, director of government and public affairs for the United Auto Workers, believes that unions have that responsibility and that strong leaders can prevail even if they are somewhat ahead of their membership.

"The labor movement can take credit in large measure for the Civil Rights Act and Medicare and Medicaid, and when we get national health insurance, it'll be the labor movement that got that, too," he says.

Mr. Schlossberg's boss, UAW President Douglas A. Fraser, helped put together the five-minute work stoppage conducted by the UAW last summer so

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its members could send postcards objecting to increased energy costs to their congressmen.

However, says one labor official, "you can't expect a worker with a family to give up part of his paycheck for something that might be in the national interest, but really isn't going to do him any good. What he's interested in is what's in his pay envelope."

### Harbinger of cooperation

Mr. Fraser and the UAW have negotiated a contract with the Chrysler Corp. that will help the ailing auto manufacturer and preserve jobs at the expense of Chrysler workers who will fall behind their fellows in the industry. The three-year contract provides an estimated \$403 million in savings to Chrysler because of concessions on wages and pensions. In return for that help, Mr. Fraser will be on Chrysler's board of directors; the union hopes this will result in added influence within the company.

Is that a harbinger of union-management cooperation?

Mr. Wynn at the United Food and Commercial Workers doesn't think so, and he doesn't favor it.

"One vote on the board isn't going to give you any more input into the operation of a corporation than having none," says Mr. Wynn. "Even though all aspects of the adversary relationship between the union and management may not be the best, I think you can develop common interests without sitting on the board."

### Bringing back the UAW

One of Mr. Kirkland's initial priorities is to bring the UAW back into the AFL-CIO fold. It dropped out in 1968, charging that the federation had become too complacent.

According to Mr. Schlossberg, it won't be a difficult task. "We will of course rejoin the AFL-CIO," he says. "That is in the future. We believe that the principle of a labor center is valid."

What about the Teamsters, the scandal-scarred union that was thrown out of the AFL-CIO by Mr. Meany in 1957? "It's more like them joining us," a Teamster official says, adding that such a move is not likely soon.

Both the Teamsters and Mr. Wynn's union, which is a merger of the retail clerks and the meatcutters, are involved in the renewed effort to recruit white-collar workers and service employees.

High on the target list for union organizers are clerks, secretaries, techni-

cians, nurses, bank tellers—people in all walks of life who are not part of management.

"The work force is changing," says Mr. Wynn, "and people are in fact workers, regardless of their titles. Union membership does not carry the same connotation to a professional that it once did," he adds.

"Workers will respond to positive programs," says Jerry Wurf, president of the rapidly growing American Federation of State, County, and Municipal Employees.

"We will work goal by goal in the face of countervailing forces," says Mr. Kirkland. "We will advance by adaptation and compromise, so that the makeup of our membership reflects trends in society at large."

### Class warfare

Adaptation and compromise, however, are not enough for some union leaders such as William W. Winpisinger, the outspoken and self-avowed socialist who runs the International Association of Machinists and Aerospace Workers. Mr. Winpisinger made his reputation with tart remarks about the oil industry, the corporate state, and President Carter—"he's a weak, vacillating, and ineffective President."

Mr. Winpisinger believes that labor should declare "unrelenting war on our class enemy, the business community."

Will organized labor follow his lead? Union leaders are still smarting from the unexpected defeat of the labor law reform bill. Mr. Schlossberg says that the business community overreacted to the measure.

"They play with dynamite when they try to oppose us too much," he states. "We're either going to do it in cooperation with business or we're going to do it in less pleasant ways. We've got to get rid of this one-sided class war and get back to producing things.

"Call it the politics of plant closings or the politics of cancer, you don't have to be socialist to be anticorporate," he adds.

### Socialists and liberals

Robert T. Thompson, chairman of the labor committee at the Chamber of Commerce of the United States, is convinced that this kind of thinking is out of tune with most union members.

"Fraser, Wurf, Winpisinger—either they're avowed socialists or they're so liberal it's hard to tell the difference," he says.

### **A Changing View of Unions**

Public and employee attitudes toward labor unions have changed sharply in recent years.

The Gallup Organization's annual survey this year showed that public approval of labor unions had declined to the lowest point in 43 years, with 55 percent expressing approval. This compared to a high mark of 76 percent approval in 1957.

The first Gallup measurement of attitudes toward unions was in 1936, when 72 percent expressed approval. Since 1965, the approval rating has drifted steadily downward. In 1978, 59 percent of the public expressed approval of unions. This year, the drop in approval was a full four percent. Twelve percent had no opinion about unions.

Employees have been rejecting union representation at an increasing rate, too. There were 8,240 representational elections certified by the National Labor Relations Board last year. Of these, unions won 3,791, only 46 percent. There were 807 decertification elections, where workers sought to revoke union representation. The unions successfully won only 26.4 percent of these elections.

Figures compiled by the NLRB show unions have not won even a bare majority of representational elections since 1973.

Small business is a prime target for union organizing efforts. The majority of representational elections each year involves businesses with fewer than 100 employees.

Whether Mr. Kirkland can successfully orchestrate policy that will bring these diverse factions together effectively is the crucial question.

### A fair share

"Lane will rise or fall as president of the AFL-CIO on how well he's able to hold the coalition together and influence national policy," says Kenneth T. Blaylock, the 44-year-old president of the American Federation of Government Employees and a member of the AFL-CIO's executive council.

"He [Kirkland] may have to be

stronger in protecting social rights,"
Mr. Blaylock says. "I'm not sure we've
been as active in solving social problems for this country as labor was at
one time."

While Mr. Blaylock believes that individual unions must shun parochial approaches towards economic issues, he warns that the success of the economy depends on the worker, who must have his fair share of the bounty.

Labor attorney Thompson contends, however, that continuing efforts by union leaders for more social programs have "put members at odds with their

### The Ten Largest Unions

	Membership
Teamsters	1,900,000
United Auto Workers	1,500,000
United Steelworkers	1,300,000
United Food and Commercial Workers	1,235,000
American Federation of State, County & Municipal Employees	1,020,000
International Brotherhood of Electrical Workers	1,012,000
International Association of Machinists & Aerospace Workers	921,000
Carpenters	769,000
Government Employees	625,000
Laborers	610,000

Source Bureau of Labor Statistics

leadership." But many union leaders blame business for labor's troubles, charging that firms are using antiunion techniques. For example, says Mr. Wynn, there is the industry practice of hiring labor consultants. "The consultant finds a weakness in the law and then exploits it," he says, adding that stalling tactics, charges of unfair practices, and appeals have led to strikes in 80 percent of his union's first-time contracts.

"They try to blame people like me," says Mr. Thompson. "But the problem is themselves—they have failed to adjust to the times."

### Not that simple

Mr. Wynn was asked why many unions are having difficulties in organizing new plants in industries where contracts already exist. "The companies pay all of the contract, or in some cases, they pay higher just to keep the union out," he replied.

But according to Mr. Thompson, it's not that simple. "Business leaders are more conscious of the problems and needs of workers than are union leaders," he says. "You seldom find a company now that doesn't have a respectable labor relations program. Unions don't have any particular advantage."

Traditionally, labor unions have had an advantage in politics as the fountain of funds for Democratic candidates. But the advent of political action committees has enabled corporations and trade associations to raise voluntary contributions for candidates of their choosing.

The success of business PACs prompted Mr. Winpisinger's union to file a suit with the Federal Elections Commission, accusing some corporations of intimidating employees to contribute to PACs.

"Until recent years," says Mr. Thompson, "the unions had it their way. Now, we've moved into their ballpark, and they don't like it. They're going to have to work harder to hold on to what they've got. It's a very wholesome development. Their influence has been out of perspective with their segment of society."

Organized labor's power has also diminished on Capitol Hill. "It used to be that when a labor lobbyist made a suggestion, we'd pay attention," says an administrative assistant to a northeastern liberal Republican congressman. "Now, instead of standing up and saluting, we feel we can ignore them."

Rep. Frank Thompson (D.-N. J.), one of organized labor's staunchest supporters, agrees that business PACs have made an impact on Congress. "Down the road, Congress will be more probusiness and more conservative if this continues," he says.

Fearful of that prospect, union lobbyists pressured Congress to pass a bill that reduces the amount PACs may contribute to a single candidate, as well as the total amount a candidate can accept from special interest groups.

Rep. Thompson was a major proponent of that bill. "The House needs to be taken off the auction block before the 1980 elections," he says.

#### Dollars don't vote

Mr. Blaylock says that organized labor cannot match the ability of the business community to raise money for political races. "But dollars don't walk into the polls and pull handles," he says. "People do. We can't keep up with their money. But we can turn out the people, and that's where we're going to get them."

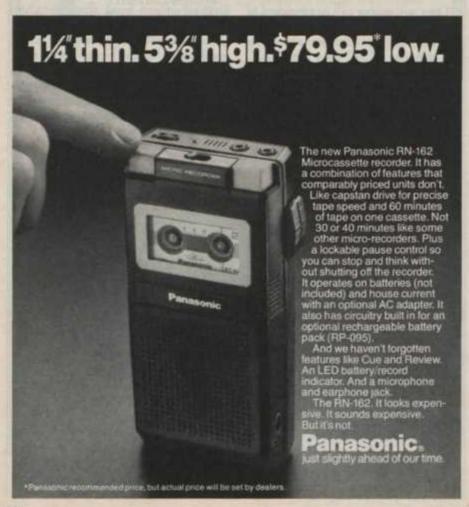
Both Mr. Blaylock and Mr. Schlossberg of the UAW say that union leaders will increasingly use in-house computer systems to determine which union members are not registered. Those who aren't will be encouraged to register and vote. "You're going to see a lot more political action," Mr Blaylock predicts. "We've got to use our political muscle to protect our people."

### Battle for the minds

The tall, lanky union leader from Alabama echoed what many other union officials are saying: A continuing worsening of the economy will drive people together and generate renewed strength for organized labor, despite any ideological differences between union leaders and the rank-and-file.

What lies ahead according to labor attorney Thompson is a battle for the workers' minds. "There is likely to be competition for the minds and hearts of the workers in the future," he predicts, "with business providing more opportunities, better working conditions, and pay that matches or exceeds union rates."

On the other side, organized labor will intensify its participation in the political process and try to forge a workable coalition that will adapt to changing times.



Campaign 280:

## Storming the Senate's **Democratic Citadel**

Banking on a perceived conservative swing, the Republicans need to win 19 seats and lose no more than 15

Sen. George McGovern of South Dakota is high on the list of Democrats the Republicans would like to defeat in 1980.

By Vernon Louviere

WHEN Democratic National Chairman John White wants to whip up concern among labor and liberal groups that the Democrats could lose their quarter-century control of the Senate, he throws out names like Strom Thurmond, Orrin Hatch, Jesse Helms, and Jake Garn.

All four, of course, are Republican senators well identified as the more conservative members of their party.

On the other hand, Republican National Chairman Bill Brock has a political litany of his own-Frank Church, George McGovern, Alan Cranston, and John Culver-which he draws on to raise appropriate hackles at Republican gatherings. The voting records of these senators dub them as among the more liberal Democrats.

#### Better than usual

Although the 1980 national elections will focus on the Presidency, a major political battlefield is being laid out to determine the makeup of the 97th Congress. The Senate elections are crucial because the Republicans have a better than usual chance of recapturing the Senate where they have watched the Democrats run the show since 1955

And while state legislative contests lack the glamour of national elections, many of them are equally crucial to Republicans. In these legislative bodles, congressional districts are reshaped, carved up, enlarged, and even abolished to reflect changes in America's ever-shifting population. Redis-

tricting follows the ten-year census. and 1980 is the next national nose

Republicans are still hurting from the 1971 redistricting and reapportionment when Democrats dominated the state legislatures, as they do today by a two-to-one majority. When the Democrats redistrict, the Republicans charge, all the advantages accrue to Democratic candidates, and that's how they've managed to control the House of Representatives all these years.

Why do the Republicans feel they can win control of the Senate? As circumstance has it, 24 of the 34 seats up for election are held by Democrats. Numerically, at least, the risk is almost twice as great for the Democratic incumbents.

The Senate is now made up of 58 Democrats, 41 Republicans, and one Independent, Sen. Harry Byrd of Virginia. To gain a majority, the Republicans would have to win 19 of the 34 races and hold the Democrats to 15 wins. In 1978, the Republicans won 20 Senate seats and the Democrats, 15.

#### Somewhat vulnerable

Another factor is that many of these Democrats seeking new six-year terms are out of step with a nation moving gradually but steadily to the right, according to Republican sources. And some of the Democrats, these sources say, are so liberal by contrast with their constituencies that they cannot possibly pass muster at the ballot box.

Mr. White, the Democratic chieftain.



Republican strategists contend that Sen, Frank Church is completely out of step with his Idaho constituents.



Democratic Sen. John C. Culver of Iowa, conservatives claim, has sealed his fate by adopting an ultraliberal stance.



When the 1980 census is completed, state legislatures will reshape, add, and even abolish congressional districts around the nation that have experienced significant population shifts. The Delaware legislature is shown here.

acknowledges that his party is somewhat vulnerable in the Senate. He will sometimes tell an audience: "We could lose the Senate of the United States to the Republican right wing unless we progressive Democrats unify and work. hard."

Then he will usually make such points as these: "If we lose the Senate ... we could have Orrin Hatch presiding over labor legislation instead of Harrison Williams. We would have Strom Thurmond as chairman of the Judiciary Committee instead of Ted Kennedy.

"We would have ultraconservative chairmen such as Jake Garn and Jesse Helms running committees and sub-committees working on such matters as national health insurance, OSHA, and labor law reform."

What Mr. White is saying is this:

The party that controls the Senate also controls the committees, and that almost always guarantees the party in power final say on legislation.

#### Waving the red flag

Singling out these senators as heirs apparent to committees that have absolute power over legislation dear to the liberal community is obviously waving the proverbial red flag. Except for Sen. Thurmond of South Carolina, who as the ranking Republican on his committee would almost certainly become chairman, the likelihood of any of the other senators mentioned actually succeeding to chairmanships is remote.

Sen. Hatch of Utah would have to leapfrog two fellow Republicans to become chairman of the Senate Labor and Human Resources Committee, which handles right-to-work laws and labor law reform. Conceivably, Sen. Jacob K. Javits of New York may not run, but Sen. Robert Stafford of Vermont would then be next in line.

Neither Sen. Garn of Utah nor Sen. Helms of North Carolina serves on any committees that handle health, OSHA, or labor legislation.

#### Rallying cry

Organized labor is determined to keep Democrats at the helm in both the Senate and House. "Congress must be kept in liberal hands in 1980" is a rallying cry at union conventions across the country.

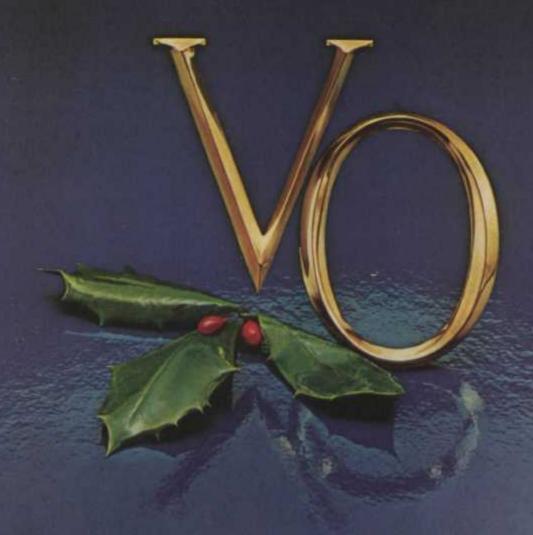
Some union political strategists who are worried about an already weakened labor posture in the Senate complain that the present liberal balance is too thin and can no longer be regarded as dependable. AFL-CIO SecretaryTreasurer Lane Kirkland, who succeeded George Meany as president of 
the giant labor federation, has called 
on union forces to tighten ranks 
against corporate political action committees. These now outnumber labor 
PACs and, say the unions, greatly outspend them.

The Republicans have various political lists of senators they would like to see start collecting congressional pensions. Sens. Church of Idaho, McGovern of South Dakota, Cranston of California, and Culver of Iowa appear at the top of almost all these lists.

#### Ultraliberal list

The American Conservative Union adds Sen. Gaylord Nelson of Wisconsin, Sen. Birch Bayh of Indiana, and Sen. Warren Magnuson of Washington

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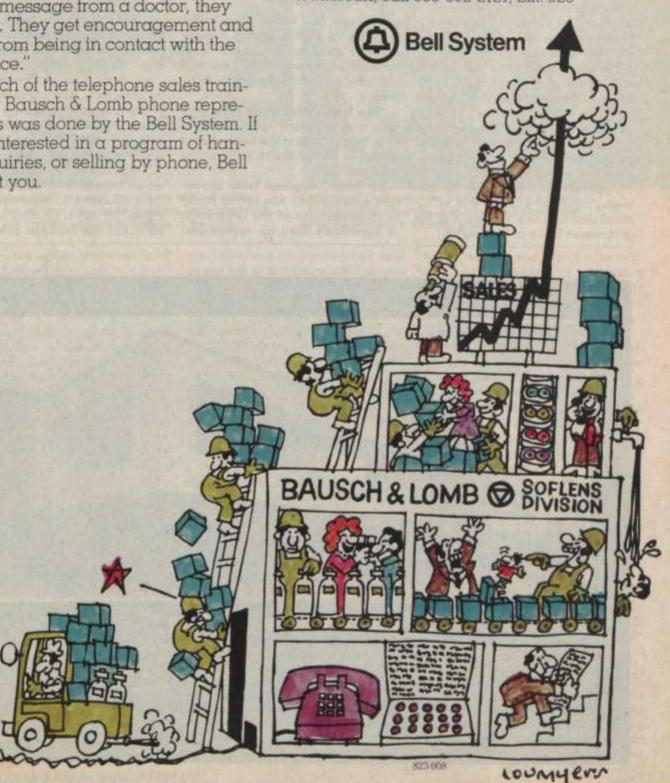
"The WATS lines are invaluable for our salespeople," concludes Mr. Mulkey. "They want to know what's happening. If there's a message from a doctor, they pick it up. They get encouragement and support from being in contact with the home office."

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to its list of seven whom it considers very vulnerable to defeat.

Another group, the National Conservative Political Action Committee, is trying to raise \$700,000 to defeat Sens. McGovern, Culver, Church, Cranston, and Bayh.

In the view of the American Conservative Union: "Each one of the seven very vulnerable ultraliberal senators seems to have enjoyed the anonymity of a tremendous disparity between their votes on issues in Washington and their public statements on these very issues as perceived by the constituents at home. Interestingly enough, it is often the senators' public statements, not their votes, that reflect constituent wishes through the years."

The conservative group lists these issues as forced busing, right-to-life, SALT II, Panama Canal expenditures, voluntary prayer in schools, foreign aid, failure to support regulatory reform, opposition to tax cuts, and support of inflationary budget-busting programs, among others.

Chairman Brock is pitching his optimism largely on what he sees as national dissatisfaction with the way the government is run in Washington. "The attitude of most people has been a mixture of frustration, some cynicism, and a great deal of anger," he says.

"The waste of tax money, the high rate of taxation, inflation, interest rates, unemployment, and a sense that the government has been involved in a very big confidence game—all underlie this dissatisfaction.

"The government, and that includes Congress, has promised a lot more than it ever intended to deliver or was capable of delivering," Mr. Brock adds.

#### Early identification

Obviously, Mr. White takes a different view: "I don't think the Republicans are going to beat any of these senators they've put in their sights. If anything, this will help get them reelected.

"The Republicans made a big mistake with this early identification of their targets. One of the basic rules of politics is that if you're going to zap somebody, do it."

Mr. White, long-time Texas agriculture commissioner who served briefly as undersecretary of the Department of Agriculture until his appointment as chairman of the Democratic National Committee, doesn't believe any legislative issue or issues will defeat any of the senators on the Republicans' lists.

He explains: "Frank Church is an example. Most people in Idaho will vote for him or against him based on their overall feeling of what kind of person he is. Issues come and go, but the effectiveness of a man or woman and the integrity of the individual are permanent.

"I don't say issues are not important, but an overriding influence is how the voters feel about the person. That's the reason you will often find some senators or representatives more liberal or more conservative than their constituents." Mr. White adds.

Mr. Brock, a former Tennessee senator, disagrees. "The gap between some of these senators and their constituents is wide and growing. You have situations where the average voter simply is not being represented.

"In fact, some are being misrepresented because their senators are voting a consistently liberal pattern that argues for more inflation, more taxation, and less economic growth when



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GOP Chairman Bill Brock says the attitude of most voters has been one of frustration, some cynicism, and a great deal of anger, and they will signal their feelings at the polis.



Democratic Chairman John White believes the efforts of ultraright-wing groups to unseat targeted Democratic senators will have a backlash effect.

people are demanding that we go in an entirely different direction."

Mr. White disputes the theory that the country is going conservative. He feels "we are in a period of great reexamination of where we stand.

"In fact, many of the people who are doing the reexamining are the liberals of the fifties and sixties," Mr. White points out. "They are looking at many of the programs that came out of that period. In effect, they are saying: 'Does this work? If it doesn't, let's try something else.' But that doesn't mean they are giving up their commitment to social progress in America.

"In the traditional ways of politics, you used to point a finger and say: 'This liberal is a free spender, and that conservative doesn't want to spend a dime.' That has all changed. Today, you have some conservatives agreeing that some programs make good economic sense while some liberals will argue: 'We're not getting our money's worth on this or that program.'"

#### Both leaders agree

Whether the Republicans take over the Senate depends largely on the caliber of the candidates selected to take on the incumbents. On that both parties' leaders agree.

"I don't accept the theory that the

NATION'S BUSINESS · DECEMBER 1979

coattail effect of presidential campaigns has an overriding effect on politics," Mr. White says. "That doesn't work today. The people have changed. They look at the individual candidates with far more perception.

"Our people prefer to go Democratic when we have the best candidates. But when the Republicans have the best candidates, a lot of Democrats don't hesitate to cross party lines. So we have to offer the best candidates."

#### Most exciting

Mr. Brock says he is encouraged by the quality of Republican candidates planning to challenge incumbent Democrats in both houses.

"What is really encouraging is that businessmen are showing a lot more interest. That's the most exciting thing on the American political scene right now," he says. "That's a turnaround from a decade ago when business people withdrew from politics either because they didn't want to get involved or because they weren't convinced their participation made any difference.

"Conditions are so bad now that business people know they have to be involved. They realize they can no longer sit on the sidelines and gripe. I've had at least four candidates come to me recently and say. 'I'm in business, and I've decided to go into politics because government now has more say-so than I do on whether I make a profit. I can't stay out any longer. We've got to make some changes.'

"These are the people who, if elected, will make a big difference in the kinds of laws Congress passes in the future," Mr. Brock adds.

Mr. White, who is confident that the Democrats will hold most of their congressional seats, says one of his concerns is that the Republicans have so much money to spend.

"Fortunately, we've always had the most voters while the Republicans have had the most money," he says. "So we'll just stack our votes against their money."

#### Cautioning labor

In speaking to Democratic groups, however, Mr. White sharpens his language to paint a picture of what things may be like if the Republicans take over. He will, for example, caution a labor audience:

"I feel it my duty to tell you that the Republican right-wing money machine is sucking up millions of dollars to feed the reactionary candidates who espouse a national right-to-work law and oppose labor law reform, national

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#### Numerical strength

Because of the impact that congressional redistricting and reapportionment will have on the kinds of candidates elected to the House of Representatives for years to come, the Republicans are committed to raising their numerical strength in the state legislatures.

The Republicans are also determined to wrest some of the governorships now held by Democrats. Thirteen states will elect governors in 1980. Only three of these offices are occupied by Republicans—Otis Bowen of Indiana, who cannot succeed himself, Pete du Pont of Delaware, and Richard A. Snelling of Vermont. None of the Democrats is barred from seeking reelection.

Democrats now control 33 state senates; the Republicans hold a majority in only 15. Nebraska's legislators serve without party affiliation, and the New Hampshire senate has 12 Democrats and 12 Republicans. In state assemblies and houses of representatives, the Democrats have a majority in 34, and the Republicans in 14. In Washington, statehouse members are split 49-49.

Mr. Brock explains the importance of state legislatures in congressional redistricting: "In the 1960s, when the party suffered a loss of 800 state legislators across the country, we allowed the Democrats to obtain control of a great percentage of the state assemblies. After the census of 1970, the gerrymandering of congressional districts laid the foundation of a continuing disaster for our party."

#### Popular vote

For example, in four consecutive elections—1972, 1974, 1976, and 1978—the Republicans averaged ten percent more popular votes in the House elections than seats gained. In one of these elections—1978—the Republicans chalked up 46 percent of the popular vote, but elected only 36 percent of the representatives.

"Absolutely fair redistricting and reapportionment in 1981 could mean that the Republican party would hold

#### **Outnumbered But Optimistic**

In 1952, when Dwight D. Eisenhower won his first term as President, many Republicans were swept into Congress with him. And that is the last time the Republicans controlled either the Senate or the House.

In 1980, there is a realistic chance that the Republicans could regain the Senate where there are now 58 Democrats, 41 Republicans, and one Independent Chances of a Republican takeover of the House—currently 275 Democrats, 159 Republicans, and one vacancy—are extremely slim.

Here's a quarter-century look at how the Democrats have maintained their hold on the Senate:

	Democrats	Republicans	Other
1953-54	47	48	2
1955-56	48	47	1
1957-58	49	47	
1959-80	84	34	
1961-62	65	35	
1963-64	67	33	
1965-66	58	02	
1967-68	64	36	
1969-70	57	43	
1971-72	54	44	2
1973-74	56	42	2
1975-76	61	37	2
1977-78	61	36	211
1979	58	41	-

the number of legislative and congressional seats warranted by its popular support," Mr. Brock says.

Mr. White, despite a propensity for reminding his Democratic audiences that they should not drop their guard, is, like Mr. Brock, playing the proper role for a political party chairman, which is to exude optimism.

"In 1980, I think we will maintain the numerical majorities we have now in the Senate and House and in the governorships," says Mr. White "If there are any changes, we will be the ones who gain.

"We will pick up more seats than the Republicans in the state legislative races because we will turn out the most voters."

If recent history repeats itself, the people who have the least to worry about in getting reelected are those who now have seats in Congress. In the past four elections, 96 percent of all incumbents seeking reelection won.



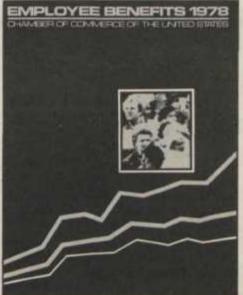
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# **Every Employer Needs This Book**

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comparable firms in the same industry.

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#### **DECENNIAL CENSUS:**

### Taking a Uniform Snapshot

THE FRAMERS of the Constitution never envisioned the census as a data base for business decisions. Yet most firms will rely on the reams of information provided by the 1980 census.

In the beginning, the sole purpose was to give Congress a basis for apportionment of members of the House of Representatives among the states. The national census began in 1790 when the new republic's population was less than four million. Slaves and Indians on reservations were not counted. The enumerators covered the 16 states of the union plus the Southwestern Territory.

"Contrary to popular belief," says
Marshall L. Turner, Jr., assistant chief
of the decennial census division, "the
first census in 1790 was more than just
a head count. A few other questions including ones on race and sex were
asked even then."

There was a steady increase in the number of questions asked at census time until it reached a peak in the late 1880s. In 1860, the census covered 140 subjects. By 1890, the census had added ten more subjects. At that time, it was a door-to-door operation, which could involve questions from several of the bureau's six questionnaires.

#### Competition for questions

In 1940, the bureau introduced sampling, which eliminated the need for most people to answer the bureau's long form. Now the long form, which goes to 20 percent of the population, contains 19 questions. All of the forms are mailed, and most are returned by mail, but improperly filled-out forms and unreturned forms still get a telephone call or a visit.

There is a lot of competition for what questions will be asked. For example, trade groups such as the Pet Food Institute and the National Swimming Pool Institute wanted to have included questions about pet ownership and the number of people who have swimming pools. But these questions have not yet met the bureau's standards of providing information of general interest and serving a segment of society that is representative of the general population.

Gay rights groups have clamored for

a question concerning sexual preference, but this was rejected by the bureau as possibly offensive. Nor will the 1980 census ask how many inches of insulation there are in the attic—a question proposed by energy conservationists.

"That one was rejected," says Mr. Turner, "because the information would be hard to get and could be considered an unreasonable burden. Some people don't have attics, and it could be difficult for a renter to find out. The information probably would not be statistically reliable."

#### Six-year search

However, several other questions on energy-related matters will be included. A question on heating has been reworded to include heat pumps, and there are questions about car pools and commuting time. Bicycles, motorcycles, and vans have been added to the types of transportation asked about.

The search for questions for 1980 that would be of general interest began in 1974. The Census Bureau invited cities to hold public hearings to decide what questions should be asked.

"There was so much interest," Mr. Turner says, "that 73 communities volunteered to hold hearings."

Also asked to help select questions were the Federal Agency Council, state governors, senior planning officers, and major minority groups. And in the mid-1970s, 47 professional and trade publications ran notices asking members to submit suggestions.

#### Congress knows queries

And there are always the unsolicited suggestions, such as one from a retired fire chief who wanted to know about smoke detectors. Since his was the only such suggestion, it was decided that there was not sufficient general interest for the limited space available.

"As the selection process continues, we have to prepare a report for Congress," Mr. Turner says. The law requires the bureau to inform Congress of the questions it intends to ask two years before the census will be taken. "We submitted the subjects in 1977 and the actual questions in 1978."

Congress cannot veto questions nor

add any of its own, but often achieves changes through discussion. That is what happened when the question of per capita income came up. This figure is used in the allocation of federal funds, and there was lengthy discussion on how to reduce the margin for error. It was finally agreed that in addition to asking 20 percent of the population nationwide about income, 50 percent of the population of smaller communities would be asked to report income.

Recently, there was a series of trial mailings. About 30 questions, worded differently on two separate sets of forms, were used. After the forms were returned, direct interviews determined the accuracy of the information.

The wording of a question that produced the lowest nonresponse rate and the most accurate answers is the wording on the form the Census Bureau expects to have in the mailbox by March 28, 1980—in time for Census Day. Tuesday, April 1.

#### Incomes and relationships

Although the bureau expects to receive most of its information by mail, 265,000 temporary employees will be ready to contact those who did not return the forms or omitted some of the questions.

"One of the most frequent omissions is that of income," says Mr. Turner. "But people usually agree to answer if contacted by telephone or in person."

Another question frequently left unanswered in some parts of the country is that of relationship of all individuals listed to the head of the household.

But the Census Bureau does not give up easily. If age and sex are the only answers given, and all efforts at personal contact fail, the bureau will duplicate the last form processed for a person of the same age and sex. In the same way, if only income is unobtainable, it will be estimated on the basis of the information given on sex, race, education, occupation, and location.

"After all, we're not really concerned about finding out everything about Mr. Murphy or the Smith family," says Mr. Turner. "What we are trying to do is to produce a uniform snapshot of the country."

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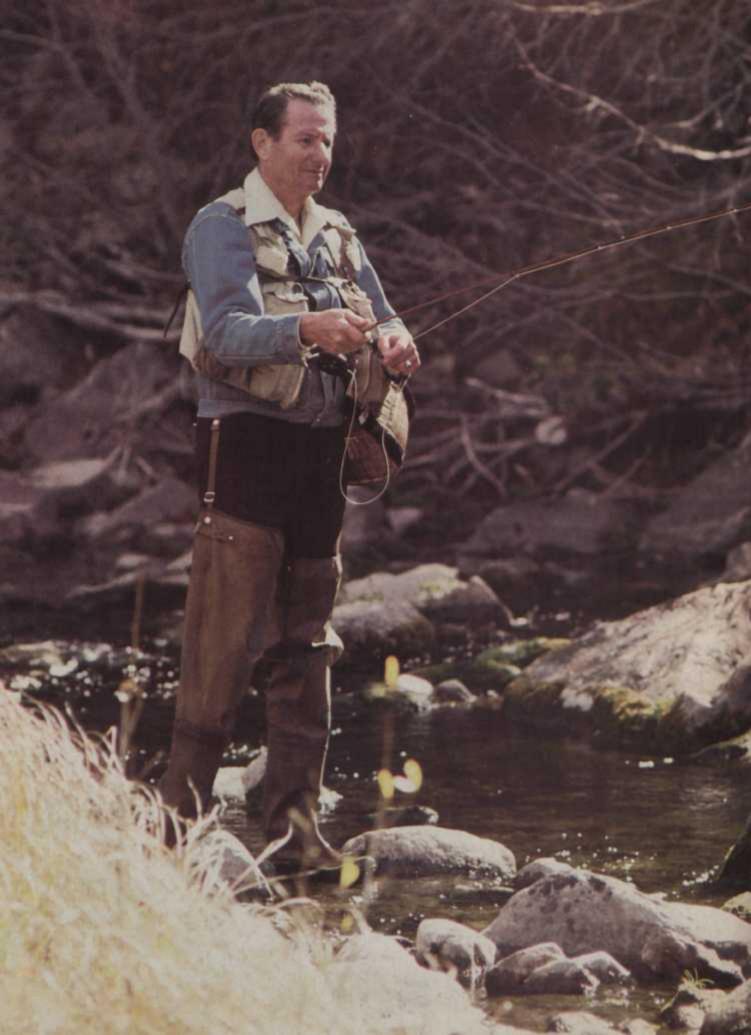
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# A True Westerner

The tale of an independent producer who found oil and gas and a fortune in the West

By Tony Velocci

PROSPECTOR Dave True scoured the arid, rolling plains of Wyoming in the late 1940s in search of oil and gas. Those were lean years. Before he made his first strike, he drilled nearly 100 dry holes.

His persistence paid off, and he went on to become one of the most successful independent oil producers in the Rocky Mountain region. Today, H. A. True, who is known to everyone as Dave, is president of a group of associated companies primarily involved in oil and gas exploration and development. They are headquartered in Casper, Wyo., a city of about 50,000, in which oil is not the only game in town, but it is the main one.

Crude oil has been a part of Dave True's life for as long as he can remember. His father was a lease broker for Texaco, Inc., which provided son Dave with firsthand oil-field experience during high school and college.

Mr. True went to Montana State College and received a bachelor's degree in industrial engineering. Some of his fellow graduates landed prestigious management-trainee jobs at \$90 a month with industrial giants such as Westinghouse and General Motors. But Dave True joined Texaco as an oil-field roustabout making \$96 a month. "I was the highest paid graduate working in the lowest job," he says now.

#### Hard times

For the next 12 years he learned the oil and gas business. In 1948, Mr. True left Texaco as superintendent of drilling and production in Wyoming to manage an oil and gas exploration firm.

Hard times forced the owners to sell several years later, and Mr. True and a business associate bought the company. The partnership was known as True and Brown Drilling Contractors True and Brown Oil Producers followed a short time later, as did a couple of other related businesses. In 1954, Mr. True bought out his partner, formed a partnership with his wife, and recast the business into True Drilling Co. and True Oil Co.

Since then, the True family business—with 650 employees—has evolved into nine separate companies, each with its own management, but all are joined together at the top, with Mr. True the driving force.

Along the way, new operations have been formed to meet specific business needs. Black Hills Trucking Co., for example, was started to service the True drilling rigs. The Tool Pushers Supply Co. supplies equipment, and there are four pipeline companies that gather oil and gas from scattered wells in Wyoming, Montana, and North Dakota. In addition, Mr. True had long wanted to own a small bank to coordinate the family's financial transactions.

"For 15 years, I was sure I never would because banks were too closely regulated," he says. "But that changed around 1973. Hell's bells, today the oil industry is more tightly regulated than the banking industry."

Hilltop National Bank in Casper is now among the family-owned businesses. So are four cattle ranches in Wyoming. True Drilling Co., a cornerstone of the family holdings, may be the only 31-year-old, individually owned and operated company of its kind and size left in the country. All the rest have gone public, merged, or folded

As their daughter and three sons grew up. Dave and Jean True took them into the business as partners or stockholders. "We always tried to let them know that if they ever wanted to join us and could carry their own weight, there would be a place for them," he says.

Middle son Diemer is in charge of trucking operations, besides serving in the Wyoming Senate. Hank, the oldest son, runs the sale and purchase of crude oil products. And the youngest, David L., manages the ranches. Daughter Tamma Jean has chosen to devote her time to her family.

Over the past 30 years, much good fortune has befallen the True family business, but there are some periods when no new resources are found, as in 1979. However, lean times are generally offset by banner years

#### Only optimists

"That's your wheat in the bin, your resources to continue on," says Mr. True. "Anybody who thinks prospecting is easy is either rudely awakened or extremely lucky. Nobody but an optimist gets into this business."

Dave True is certainly every bit of that. He personifies the dogged determination and enterprising spirit that settled the legendary land of cattle, cowboys, and solitude Virtually everything about him symbolizes the West. He is also a private man who takes pleasure in life's more basic values, particularly the family.

The Trues live in a four-bedroom ranch-style house that sits in a lush meadow at the base of towering Casper Mountain. Western art is abundant throughout. Nearby, two horses are corralled. No status symbol is parked in the driveway, just Mr. True's tenyear-old Buick convertible that he drives the four miles to work each morning. They also own two ranch homes, which serve as family retreats, in different parts of Wyoming.

#### Passion for work

Mr. True has a passionate zeal for his work, and the more challenging it is, the better he likes it. His personal secretary of 28 years, Helen Hutchcraft, says that Mr. True's motto has always been: "The things that are too tough for everybody else are just right for us."

Mr. True is president of the National Cowboy Hall of Fame and Western Heritage Center in Oklahoma City, Okla., and a director of the Chamber of Commerce of the United States. Among the many other groups of which he is a member are the National Petroleum Council and the Independent Petroleum Association of America, his industry's trade association, of which he was president in the mid-1960s.

As a rule, he is in his office no later than 6 a.m. Nine or ten hours later, he breaks for dinner and then returns to the office until about 10 p.m.

Because of the time he spends there, his office suite doubles as a mini-home away from home. Wife Jean designed the three-story True complex, including his second-floor office looking out on Casper Mountain.

One side of the spacious room contains a sofa, chairs, and tables. Wooden shelves and cabinets line the office walls along with family photographs and memorabilia, including a working Snoopy telephone, which was a birthday gift from his children. Indirect lighting filters down from an imposing honeycombed panel.

#### Legacy of the West

Western art, including bronze and pewter sculptures capturing the legacy of cowboy folklore, is everywhere. On one side of the room is an original oil painting of his favorite fishing spot on the North Laramie River that flows through his ranch.

Behind his desk is a large Wilson Hurley oil entitled, Wyoming Winter, a haunting scene of the Big Horn Basin.

Several dozen awards fill an entire wall of an adjoining room almost as large. A sofa provides a place to catnap.



Good-natured ribbing is standard fare when the close-knit True family gets together. Convened in Mr. True's office are (left to right) sons David and Diemer, wife Jean, son Hank, and son-in-law James. Daughter Tamma Jean is absent.

Casual attire is the rule here, from the boss on down. It is in character for Mr. True, whose chiseled features, deep facial lines, and ruddy complexion give him the weathered look of a cowboy at home with the elements.

When a NATION'S BUSINESS editor visited with Mr. True in Casper, late afternoon sunshine flooded through a wall-length picture window, silhouetting a bronze sculpture of a cowboy and his riled horse. Mr. True, 64, talked about the sprawling, integrated business he has built, his personal lifestyle, and some alarming developments in the energy field.

#### Why have you confined your operations mostly to the Rocky Mountain region?

I've spent my whole life trying to learn the oil and gas business in just this area, and each geographic region is specialized. It would be silly for me to ignore this and start off inexperienced someplace else.

#### Do you anticipate trying to find and develop alternative energy sources such as oil shale?

Not really. Oil and gas will continue to be our country's main energy sources for the remainder of this century. Plus, alternate fuels are extremely capital-intensive, which excludes most independent producers.

We've never given into the tempta-

tions of public financing. We want to keep the business private. Over the years, we have financed our growth exclusively through building equity and then borrowing against it.

#### What is the long-range goal for your business?

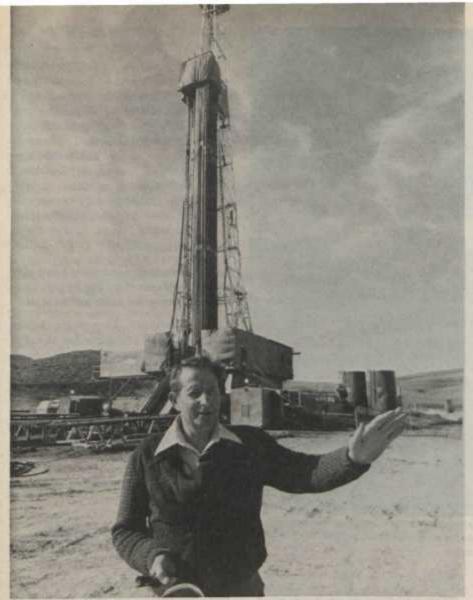
We have no aspiration to be the biggest or the fastest-growing oil exploration and development company. We're satisfied with slow but gradual expansion. However, we do want to be among the best.

#### Being family-owned and operated, how do you plan the business's future?

When our two older children were still in high school, we began having family meetings, which soon developed into a regular monthly get-together. Sometimes they would be held at home, sometimes at one of the ranches, but seldom at the office.

These meetings continue today, and of course the spouses are invited. We don't keep any minutes. There is an agenda, and anybody is free to take notes. We try to limit the meetings to several hours. They are a where-have we-been, where-are-we-now, where-are-we-going kind of assessment.

During the early days, did you ever fear that the business might not survive?



It has taken independent oilman Dave True decades to learn the mineral-rich Rocky Mountain region, so he is not likely to start fresh somewhere else. Behind him looms one of True Drilling Co.'s 12 drilling rigs.

Several times I had to go to the bank and personally borrow enough money to meet the payroll. That's getting pretty close to the bottom of the barrel. But the challenge and my own ambition spurred me on.

Like a lot of other individuals, I would have hated to admit failure, and I realized that this would probably be my only opportunity to build my own business. Plus, it's a mighty interesting way to make a living.

#### To what do you actually attribute your success?

By working hard all my life, I've learned a lot of lessons that have proven helpful over the years. Working with equipment and machinery in the oil fields was a great learning experience. I became well-acquainted with down-hole problems, production problems, completion problems, fission problems. Over the years, I accumulat-

ed enough knowledge of this business to make pretty sound decisions. I guess we've also had more than average success in the eyeball-to-eyeball negotiations that are a constant part of this business.

#### Is the spirit of entrepreneurship as strong today as it was when you started out?

I think basically it is, but with the present roadblocks to new businesses, it probably now takes several times as much determination and hard work to survive.

Looking back, I've often wondered if our family could do today what it did 30 years ago.

The answer is no. The tax incentives are no longer there, nor is governmental encouragement. The philosophy of opening up the West and its resources has disappeared.

I like to think we could have still

come up with the same result, but we would have had to follow a different path to get there.

#### You believe True's greatest asset is its people, but what is its major weakness?

Unfortunately, that is easy to answer. It's me.

#### Why do you call yourself a liability?

I control more things than I should. I am involved in more things than I should be involved in. I have not been able to devise a system whereby I give each of our key managers the free rein he really needs.

We have put together a series of related operations, none of which can function properly without some tie to the other. Only one individual has the feel for what all of them are doing, and that's me.

It takes a man with basically three things to do what I am doing—and not necessarily in this order: He has to have a knowledge of all the operations; he has to be willing and able to work like hell; and he has to be as patient as Job.

#### Do you organize your time to make the most of each day?

I try to plan each day, especially when I'm in town. As it turns out, however, 20 minutes after I get to work I abandon my schedule, take care of the fire that's burning the hottest, and end up in confusion despite my continuous resolve to do better.

#### If you could relive some part of your life, what would it be?

I've made lots of mistakes that I don't take great pleasure in looking back on. But I've also had an interesting and exciting business career in which I never dreaded going to work in the morning.

I don't know of another that I would trade it for, and as far as reshaping my life, I wouldn't do it.

#### What role has your wife played in the evolution of the True companies?

She has been involved in many major decisions, but her overall role has been limited a little more than either one of us would have liked. I was gone so much of the time while the kids were growing up that often she had to act like a widow in raising them.

This was especially true when I started getting involved in organizational work. I've always felt this industry and this country have been good to



Aviation buff Dave True got the flying bug before World War II and has been plying the skies ever since. His company's fleet includes single and twin engine aircraft, which he files, a Leariet, and a helicopter.

me and my family, and over the years I have felt an obligation to repay both of them.

#### Is that why you belong to so many associations today?

Yes. I'm just trying to say thank you for what I was privileged to walk into. The private enterprise system was healthy and available for those who were willing to take advantage of it.

#### You spent quite a few years working as a roustabout. What is that?

The term generally refers to people who work in the oil production phase of the business. It's the dirty work—repairing leaks, digging ditches. A roust-about is the bottom rung of the ladder.

#### Just what is an independent oil producer?

Basically, an individual who owns and often operates oil and gas production facilities. Many of them also explore for new resources. The only way anyone has been able to come up with any reliable information about independents is to take the 29 major oil companies, compute the number of

wells they drill, their total expenditures, discoveries, and the like, and subtract these numbers from the figures published by the Interior Department's Bureau of Land Management.

#### Has the number of independent producers remained fairly constant?

No, our numbers are dwindling. In the mid-1950s, there were about 20,000. Today, of course, there is one third that many. Most are selling out because of governmental regulation. It's getting very difficult for independents to operate nowadays.

Congress in its wisdom delegated the responsibility of public lands and minerals to the bureaucrats, who have listened more and more to the clamor of a minority of environmentalists. Much of this country's mineral and oil deposits lies beneath federal lands here in the West. But it's next to impossible to get permission to drill on a federal lease. The federal government owns about 48 percent of Wyoming.

As a Westerner who cherishes the region's heritage and untouched wilderness, do you have a conflict with

#### also being a developer of the resources found in the West?

I am basically an environmentalist, not a preservationist. I know from years of experience that mineral exploration, particularly for oil and gas, can be conducted without permanently damaging the wilderness. I've seen it happen. Our company has drilled dry holes, returned years later, and been unable to find any disruption.

I have no patience with the sort of extremist environmental philosophy that preaches a return to dirt floors and outside plumbing

#### Do independent producers have different problems than the larger, integrated companies such as Texaco?

Not necessarily. They share pretty much the same problems, but the majors have the expertise and finances to handle them. How many independents, for example, have the time or resources to hire someone to read 76,000 pages of the Federal Register every year? An independent is not safe unless he knows what is on every last one of those pages.

#### How does your company cope with this dilemma?

We hire consultants in Washington, in addition to having staff people assigned full time to monitor what the government is doing. At least 75 percent of our management time is spent studying, complying with, and defending ourselves against government regulations.

#### Will this business ever be allowed to operate unencumbered as it did 30 years ago?

If this country is to survive, the government has got to ease up on its regulatory practices. It's as simple as that.

Twenty-five years ago, if someone with a great hatred for the United States and its social and economic system had wanted to design an energy policy to thwart this country's progress, abolish its standard of living, and even undermine its democratic government, the energy policy that has evolved from recent congresses and administrations would have served that person's sinister motives quite well.

#### Why is the state of the country's energy policy so poor?

It began to unfold back in the early 1950s when we entered into a 20-year regulatory binge of ten-cent natural gas. Any schoolboy economist could have predicted the result—controlled prices, short supply, and an increase in demand.

The same kind of thing has been happening with crude oil for about the same length of time. President Eisenhower first adopted the import program under the threat of hammering down oil prices. That's not the free enterprise system working. That's a state-regulated economic environment, and it threatens our nation.

As recently as 11 years ago, the United States was self-sufficient in crude oil production. There is absolutely no reason why we shouldn't be the same way today.

#### Could this country produce enough oil to meet its own needs if there were no government interference?

There is no doubt in my mind that, if the free market concept had been allowed to prevail for the past 25 years, the United States wouldn't be in the bind it is in today.

We have agreed to pay Mexico \$3.68 per thousand cubic feet for gas. The top price in Canada will also move from \$3.20 to \$3.68, if it hasn't already. American companies are still getting less than \$2.20 for their product. We no longer make economic decisions in our business. We do the most outlandish things because they're legal.

#### Mexico also raised its price for a barrel of crude oil to \$24.60. That's more than the benchmark price of OPEC oil. What are your thoughts on that?

I don't blame Mexico one bit. That oil is adjacent to this country and readily available to us, which makes it far more valuable to us than OPEC's unreliable supplies. The same is true of Canadian reserves. That oil is transportable by pipeline and doesn't require long voyages on expensive tankers.

Mexico and Canada are entitled to as much for their oil as countries in the Middle East and probably more. The fact that our neighbors are relatively stable suppliers seems to go unrecognized by those who set energy policy.

#### What is the future for independent producers?

Unless the government's attitude changes, we've got nothing to look forward to except the confusing, frustrating experience of trying to produce oil and gas, for which there will be a tremendous demand, at some price, profitable or unprofitable.

#### What factor in the industry is most misunderstood by the public?

The risk. Of all the exploratory wells drilled in this country, only one in nine encounters oil or gas.

One in 25 is a commercial find, and one in 50 is a major oil or gas discovery. Most people aren't aware of these figures.

Historically, the independents' contribution has been to provide the risk money for the oil industry. We drill almost 90 percent of the exploratory wells. The majors put up the big source capital for geological exploration, lease acquisition, technical development, and prospect location.

#### Do the independents have a strong, unified voice in Washington?

In certain cases, we've proven that we have the ability to make a point with Congress. But if we had one percent of the clout President Carter attributes to us, we'd be mighty happy.

#### What about the food-for-crude proposal?

It might have some merit, but it also has a great many complications. I real-

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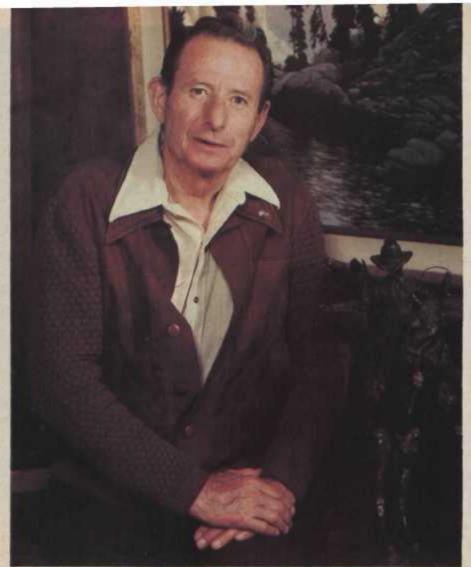
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U. S. Chamber director Dave True has earned a great deal of respect as an independent businessman for knowing how to get his views across in Washington. His formula: Know your subject, be emphatic, and use your trade association.

ly wonder if it's practical to tie the export of food grain to crude oil. But certainly through government-to-government negotiations, it could have a bearing on our oil suppliers.

## Some years back, you helped form a business political action committee in Washington. What made you decide to do that?

The first time I testified before a congressional committee was in 1954. As I got more involved with the Washington scene, I became convinced that business people in general, and the oil industry in particular, had to get involved in the political process. That includes encouraging good candidates to run and supporting them.

When we first started, contributions were slow coming in. As far as I know, we got only one check out of 5,000 letters we sent out. It was apathy. The prevailing attitude was that politics was for politicians. Fortunately, that attitude is changing.

Someone who knows you quite well says that years ago, when your children were growing up, one of your sons received only one ski for Christmas because he hadn't finished his chores and that he would get the other one when the chores were completed. Any truth to that?

That sounds like something that might have happened in our family. We were pretty strict with our kids, concerning their family responsibilities. Of course, the boys were raised on the ranch, and that was a tremendous asset.

Discipline for discipline's sake is not constructive, but if it's done conscientiously, it can be a good thing. I think there's too little of it today.

#### How do you unwind?

I try not to wind up. But when I do, two of the things I enjoy most are fly fishing, usually for mountain brook trout, and flying airplanes. I can absolutely lose myself in fishing, riding horses, and flying.

Our company has six planes—two single and two twin-engine Cessnas, a Learjet, and a chopper. I fly the singles and twins, oh, maybe 200, 220 hours a year. The Lear requires too much time to stay current.

#### What prompted you to learn to fly?

I had always wanted to. I tried to get into naval aviation at the start of World War II, but was unsuccessful. A good friend of mine in Cody (Wyoming) got the flying bug after the war and bought an old AT-6 trainer. He hired a part-time pilot to fly him around in this little two-seater and really became enthusiastic.

Later, he ordered a small fabric-covered airplane; the flying lessons were included in the price. One afternoon my friend went up with an instructor. When they landed, he said he was through.

One night after dinner he told me:
"I've got an airplane sitting out there,
flying lessons all paid for. If you'll buy
the gas, why don't you go ahead and
learn how to fly?" I told him he'd just
made himself a deal. I eventually
bought the airplane from him, too.

#### Do you get to ride horses often?

Not as much as I would like. We have about 25 on any one ranch. We're not a bunch of mechanical cowboys. Our ranch people work cattle by horseback, and I ride whenever I get the opportunity. My own horse, Mike, is about 25 years old.

# Of all the organizations to which you belong, the National Cowboy Hall of Fame is especially interesting. I suppose John Wayne holds a special place among its members?

Just before he died, he gave us his entire gun collection, along with his bronze collection, personal movie costumes, and his old Winchester rifle, all valued at \$1.5 million or more.

The hall is dedicated to preserving the heritage that won, established, and developed the West, and we believe in that. That's what helped make this country great—that old can-do spirit of the true Westerner.

#### When you retire, how would you like to be remembered?

As an honest businessman who was a tough but ethical competitor.



To order reprints of this article, see page 38.

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# SHOULD MOUS DENTRY-BLACK STAR

Grooming and clipping long-haired dogs, something most pet owners would rather pay for than tackle themselves, can run into hundreds of dollars if the animal's coat is badly matted.

# Plump Profits



Like high fashion stores, pet shops display the latest fall fashions by midsummer. The pink velvet coat and the Sherlock Holmes raincoat cost about \$20 each.



While government regulations have resulted in a sharp decline in the number of wild animals sold as pets, the sale of birds, which adapt well to apartment living, continues to increase.



# in Pampered Pets

From tarantulas to cats and dogs, a multibillion-dollar industry caters to animal owners

By Mary Tuthill

How Much Is That Doggie in the Window? was a song hit of the early 1950s that only begins to describe the cost of a pet. If that doggie becomes a medium-sized adult and lives for ten years, the owner will probably spend an average of \$3,000 on food, veterinary services, and other necessities.

Pets-Supplies-Marketing, a pet industry trade magazine, shows an increase of more than 40 percent in sales between 1974 and 1978. The publication lists total sales for 1978 at \$5.5 billion, including pet food, but not the dollars generated through veterinary outlets.

However, double-digit inflation is a gnawing worry in the industry. "This year, for the first time, the industry plans a television advertising campaign to boost sales," says Robert Robertson, executive vice president of the Pet Industry Joint Advisory Council. The campaign will be aimed at Christmas buyers—a traditionally good market—and at other groups.

"Hobbyists are the backbone of the pet industry," says Mr. Robertson, "and we haven't done anything recently to encourage that group."

#### Lot of competition

Even without any particular encouragement, the number of pets in the United States has been estimated as high as 600 million. "It is very difficult to substantiate such a figure," says Guy R. Hodge, director of research and data for the Humane Society of the United States. "The Census Bureau doesn't count pets. We have been try-

ing to get that question on the list, but there is a lot of competition for which questions are asked, and that one hasn't made it yet."

Another problem in counting pets is defining—what is a pet. "Even if census takers were to ask the question," Mr. Hodge says, "one farmer might have eight cats living in his barn to control mice and rats, but not consider them pets. The next farmer might list such cats as pets." Guard dogs, seeing-eye dogs, horses, and other animals could present a similar dilemma.

Nevertheless, the Humane Society's statistics, based on three independent studies, show between 41.3 million and 48 million pet dogs and between 23.1 million and 25.6 million pet cats.

There have been no recent attempts to keep track of other pets, but in 1974, Pets-Supplies-Marketing placed the number of birds at around 23 million, fish at about 240 million, and other pets, including elephants, jungle cats, hamsters, snakes, monkeys, and other exotic animals, at 125 million.

#### Birds are compatible

While dogs and cats remain the most popular pets, birds had the greatest sales growth in 1978, with bird food increasing 18.5 percent to \$77 million; livestock, 23.2 percent to \$101 million; and bird care products, 12.8 percent to \$97 million. Overall, the growth was 18 percent. During the five years from 1974 through 1978, the increase was 70.8 percent.

Florida veterinarian and pet supplier Bern M. Levine says that about 40 million people now have birds. "Birds are most compatible with today's apartment living, and they take a minimum of care," he says.

"Europeans and Latins have always kept birds, and the greater influx of Latins in recent years has helped increase bird sales in this country. Stores in European and Latin neighborhoods sell more birds."

Dr. Levine also says that popular

television shows such as Baretta with its cockatoo and Fantasy Island with its macaws have shown Americans how affectionate birds of the parrot family can be.

Government regulations on the sale of wild animals and federal bans on the import or sale of endangered species have drastically reduced the variety of exotic pets in the United States, although Hollywood and New York still boast quite a number. But with the decline in availability of monkeys and jungle cats, the market for reptiles has been growing. "I think a lot of the interest in reptiles has developed because people have taken courses in biology in school," says Dr. Levine.

#### A favorite tarantula

Bruce Kraus, also of Florida, says that perhaps the biggest attraction of reptiles is "they're unusual." Mr. Kraus used to supply reptiles to pet stores before regulations made things too difficult. Because turtles were banned as disease carriers and many other reptiles were classified as endangered, Mr. Kraus switched to importing tarantulas.

"Two years ago, I brought in my first shipment of 500. Now I import 2,000 at a time. Lately I've been selling about 3,000 a month of the red-legged variety alone." The red-legged tarantula is more highly prized for its appearance than the plain brown variety and sells for three times as much.

"I won't say they ever show anything like affection," says Mr. Kraus, "but they get used to you so that you can pick them up without getting bitten and show your friends what a neat pet you have. Right now, bizarre is in."

Other advantages to tarantulas are their hardiness and need for minimal care and space. Also, their bite is not as bad as was once thought. "It is a lot like a bee sting," says Mr. Kraus, who has had a lot of first-hand experience.

Fish also make good pets for apartment dwellers, but their sales have



Not every city dog has such fancy accessories as a combination leash and umbrella, but dog owners annually spend \$385 million on pet products.

continued to disappoint suppliers. The fish sector, including food products and livestock, showed only a 4.8 percent increase in 1978 and has grown only 27 percent in the past five years. However, some dealers hope that the emerging interest in saltwater fish and aquarium equipment will stimulate sales. Those who really get hooked on the beauty of saltwater fish may pay \$850 or more for custom tanks.

#### Walls of aquariums

Dealers who handle both freshwater and saltwater fish and equipment say that most buyers start with some type of freshwater fish and a bowl or aquarium. Those who become fascinated by the graceful movements of their scaly pets often fill entire walls with aquariums and will spend \$50 or more for a single fish.

"Still you can't pet a fish," says one dealer. "Most people looking for a pet want something that will be more responsive or affectionate."

For those qualities, dogs and cats are

hard to beat. In 1978, Americans spent more than \$300 million acquiring dogs and cats as pets. Feeding them has become a \$3.3 billion business, bigger than the combined markets for baby food and cold breakfast cereals.

"People buy for their pets as they would for their children," says Bud Wright, general manager of Texas Farm Products, which has just entered the pet food business after 50 years of seiling livestock feed and fertilizer in the Southwest.

The pet food industry has come a long way since the first dog biscuit was produced in England about 1860. Canned horsement for dogs was introduced in the United States after World War I, and in the 1930s, canned cat food and dry dog food came on the market. But it wasn't until the 1960s that the industry expanded its use of byproducts from meat, poultry, and seafood processing plants and began developing a greater variety of products.

Ralston Purina Co. is the industry

leader, competing with Carnation Co., and General Foods Corp. as well as with smaller firms. In 1978, pet food manufacturers spent \$152 million advertising their products, an increase of \$85 million over the past five years.

#### Can't taste the difference

The trick to maintaining leadership in the industry is to blanket the market with lots of flavors and different products. That fills up supermarket shelf space and gives pet owners a wide variety from which to cater to their pets' supposed whims. It seems unlikely that Americans will ever realize that dogs and cats do not have human tastes and do not have to be pampered with special foods.

The tendency of owners to lavish attention on their pets has produced a sizeable market for luxury goods and services.

Pet boutiques carry an almost unlimited line of doggie apparel: T-shirts, raincoats, rain boots, hats, glasses, velvet evening coats, and sporty denim jackets. Debonair Pets of California offers jogging suits for dogs, and several shops will make fur coats to measure.

One shop owner tells of a customer who called to order a mink coat for a pet poodle. The owner advised the customer to bring the animal in for a fitting. "Oh, no," exclaimed the customer. "It's a surprise."

#### Coiffing and polishing

Grooming also includes a wide range of options. The usual treatment consists of a bath, with flea dip if needed, brushing, and clipping. But some shops will dye an animal's hair, polish a pet's nails, and apply mascara. There are also toothpaste, plain or beef-flavored, deodorizing sprays, perfume, and grooming lotions.

Chichie's Canine Design shop in Washington, D.C., has been turning out well-groomed animals for 15 years for a clientele that includes congressmen, socialites, and visiting celebrities.

Says Chichie Koger of the animals she grooms: "They're just like little people."

A no-frills visit for basic grooming can cost as little as \$20, but Miss Koger recalls a dog whose coat was so matted it took her four or five days to untangle the mess, at a cost of \$300. A 450-pound lion, however, was bathed and groomed for a modest \$50.

Many groomers are connected with boarding kennels such as the pet motel in Prairie View, Ill., which cost \$1 million to build. It advertises private

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Although aquatic pets don't lend themselves to petting and affection, they fascinate everyone and are easily kept in public places and offices.

#### Haute Cuisine a la Canine

Despite the ever-increasing sales of dog food, many devoted dog owners still insist on providing home cooking for Rover. But veterinarians agree that dogs fed commercial pet food are generally better nourished than those who are pampered with special dinners that are usually too rich.

In an effort to teach dog owners new tricks, veterinarian Terri McGinnis has included in *The Well Dog* Book some special recipes developed by Dr. Mark Morris, Jr.

The following restricted protein diet for older dogs is to be cooked as a stew:

- 1 pound ground beef
- 1 large can stewed tomatoes
- 6 large potatoes
- 2 large onions
- 1 cup macaroni
- 1 pound dry rice
- 2 cups water
- 2 cans each, including the juice, yellow beans, green beans, and carrots.

This recipe produces ten quarts of food to be fed at the rate of about one quart per 40 pounds of body weight per day. The food can be mixed with a commercial balanced dry food to provide a dinner halfway between home cooking and store bought.

The owner of two 12-year-old dachshunds has been using the recipe for several years and says: "My dogs love it; my neighbor's cats love it; and so does my three-year-old granddaughter."

rooms with outside patios, carpeted sleeping quarters, piped-in music, daily playtimes, and cookie breaks.

If pets get sick, there are 25,000 or so veterinarians in the country to care for them, an increase of 5,000 in the past five years. And if the problem is mental or behavioral, animal psychiatrists and behaviorists can help.

One practitioner, Dare Miller of Beverly Hills, Calif., cannot keep up with the demand. The reason most people own dogs, he says, is "to meet a need for mood feedback. A dog is a mirror, reflecting what we give him. If we're happy, the dog is happy. If we're sad, the dog is sad."

To treat the resulting quirks in behavior, such as jumping, barking, whining, or destroying property, Dr. Miller not only treats the dog but also reconditions the owner. The cost is about \$250, in advance, for six 50-minute sessions.

Dr. Miller's patients have included Ronald Reagan's collie, Katharine Hepburn's German shepherd, Kirk Douglas's poodle, and several dogs belonging to Bob Hope.

#### Obedience training

Unfortunately, not all such practioners are reputable, and pet owners must be careful that the cure does not become worse than the condition, at an exorbitant cost.

Lower-key but effective training for dogs can be found at obedience schools. Although schools will give lessons to dogs separately, most prefer to work with both dog and owner at least part of the time. A course at the Olde Towne School for Dogs in Alexandria, Va., costs \$215 for two weeks, with a small extra charge for pickup and delivery of the animal. To turn the family pet into a protector, some schools

offer guard-dog training at \$50 an hour. And for those who really want to show off, the schools will teach Fido some basic tricks.

Many big cities list dog-sitting and dog-walking services. But for the pampered pooch who cannot get enough exercise, there's a jog-a-dog machine for \$575. And a recently developed portable dog shower is reported to be selling briskly at \$69.

Although cats inspire fewer products, there are the Prince Valiant suede tent, powder-room screens to enclose the litter box, fiber-glass igloos, assorted scratching devices, and a Ko-Z-Cat Cottage with pile carpeting, a sun deck, and catnip bar.

Almost as plentiful as pets are the books about them. Howell Book House, Inc., which has published books on dogs since 1961, reports that its sales have grown 15 to 20 percent every year since then.

TFH Publications also reports increased sales of books on pets. "If it's a pet and somebody keeps it, we've got a book on it," says a company spokesman.

"Right now, sales of fish books are down a little, but tarantulas are doing well and birds even better."

#### Deluxe burial

If it was someone's pet, most pet cemeteries will accept it. The smallest creatures resting in a Maryland pet cemetary, A Bonheur Memorial Park, are turtles, hamsters, and mice; the largest is an elephant. There, the minimum burial cost for a small animal is about \$225, with deluxe arrangements running close to \$500.

Few people quibble about the price of pet burial. As a University of Maryland study showed, 87 percent of pet owners polled consider pets to be members of the family.

Psychologists and social workers have long recognized this attitude toward animals, and many recommend pets for the elderly and young children. Pets also seem to help mentally disturbed people relate to reality. "Seeing-heart dogs," one psychologist calls them.

With people needing pets and pets needing people, the industry's future seems secure. "Most pet industry activities are stay-at-home endeavors," says Paul A. Setzer, editor and publisher of the trade magazine.

"During a recession, people borrow less and buy less, but they still have to feed their pets, even if with less expensive items," he adds.

#### ATTITUDES SURVEY

#### Optimism Wanes Around the World

Tor executives of subsidiaries of U.S. firms operating in foreign countries are less optimistic about the economies of their host countries and the outlook for their companies than they were six months ago.

Confidence has ebbed, as shown by a range of significant criteria, although business leaders abroad remain generally more optimistic than U.S. executives here. These conclusions are drawn from the second semiannual International Business Attitudes Survey conducted by the Survey Center of the Chamber of Commerce of the United States.

The 1,524 executives who responded to the survey represent U. S. subsidiaries with 40 or more employees in almost 90 countries.

The proportion that expects higher inflation during the next 12 months has increased significantly. Almost two thirds now expect higher inflation in their host countries, up from 44 percent six months ago. Only nine percent expect inflation rates to go down. Six months ago, 20 percent expected a decline in the inflation rates in their host countries.

#### Similar feelings in U.S.

In the United States, business people also see a much greater likelihood of inflation than they did six months earlier. In a separate survey conducted jointly by the U.S. Chamber and the Gallup Organization, U.S. business executives believe there is a 72 percent chance of double-digit inflation within 12 months compared with a 52 percent chance last winter.

In sharp contrast to the United States, where less than one half of one percent of business executives expects the government to do a good job in fighting inflation, one third of business leaders of U.S. firms abroad expects their host countries to do a good job.

The results of the international survey show a decline in all regions, except Canada and Mexico, of the percentage who believe their host country governments will do a good job in fighting inflation during the next year or two. The majority of respondents still expects only a fair job by their host country governments.

The international executives believe there is an increased probability of recession during the next 12 months—a 39 percent chance in the latest survey, up from a 33 percent chance last winter, but still much below the assessment the average U.S. executive makes for the domestic economy.

In the U.S. survey, executives assign a 73 percent chance of recession in the United States within the next 12 months.

Forty-three percent expect that the economies of their host countries will have more good than bad times during the next four years, compared with 22 percent who expect more bad than good times.

Sixty-two percent of the respondents now expect that their host country's economic output—gross domestic product—in 1979 will be greater than it was in 1978, which compares with 68 percent six months earlier.

Less than a fourth of business leaders abroad expects their host countries to do a good job of fighting unemployment, and a majority still expects only a fair job.

By a two-to-one margin, executives

		Next	Year		Next Four Years			
	Sa	iles	Profits		Sa	les	Profits After Taxes	
	Jan. 1979	Aug. 1979	Jan. 1979	Aug. 1979	Jan. 1979	Aug. 1979	Jan. 1979	Aug. 1979
WORLD	80%	73%	66%	58.%	92%	06%	81%	74%
Africa	82%	76%	56%	64%	86%	85%	71%	78%
Asia	84%	73%	73%	58%	96%	B7%	86%	78%
Europe	76%	6934	59%	51%	91%	84%	78%	70%
Middle East	50%	74%	45%	44%	80%	STA%	62%	56%
Canada & Mexico Central & South America	87%	83%	81%	73%	94%	92%	88%	84%
& Caribbean	80%	70%	73%	59%	04%	70%	87%	71%

FIOD	bability of Recession						
	Within 1	2 months	Within 24 months				
	Jan. 1979	Aug. 1979	Jan. 1979	Aug. 1979			
WORLD	33%	39%	34%	38%			
Africa	36%	39%	36%	41%			
Asia	30%	4156	29%	39%			
Europe:	35%	42%	37%	41%			
Middle East	25%	28**	24%	.00%			
Ceneda & Mexico Central & South America	29%	36%	21%	35%			
A Caribbean	20%	35%	27%	30%			

Energy Pr	oblems	Next Tw	o Years		
The state of the s	Prices (	of Fuels	Availability of Fuels		
	Serious	Not Very Serious	Serious	Not Very Serious	
WORLD	52%	35%	25%	46%	
Africa	72%	25%	53%	41%	
Asia	66%	27%	44%	43%	
Europe	59%	35%	28%	53%	
Middle East	33%	22%	28%	22%	
Canada & Mexico	28%	43%	6%	39%	
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& Caribbean	47%	33%	31%	28%	

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Expectations of Higher Inflation Next 12 Months							
	Jan. 1979	Aug. 1979					
WORLD	44%	65%					
Africa	61%	815					
Asia	48%	74%					
Europe	46%	72%					
Middle East	54%	61%					
Canada & Mexico Central & South America	44%	50%					
# Cheminan	710	100					

of U. S. subsidiaries abroad expect fuel prices to outweigh availability as a serious problem during the next two years. In addition, some business people expect serious problems because of interest rates (30 percent), availability of credit (28 percent), possible nationalization (29 percent), and limitations on foreign ownership (28 percent).

U. S. business executives abroad also are now less optimistic than they were six months ago about their prospects for higher sales and profits. In most regions there has been a decline in the number who expect higher sales and profits during the next 12 months and the next four years.

Overall, 73 percent now expect high-

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Films and Slides to Explain American Business Chamber of Commerce of the United States 1615 H Street N. W., Washington, D. C. 20062 er sales during the next 12 months compared with 80 percent last winter. The proportion who expect higher profits, after host country taxes, has declined from 66 percent in the winter to 58 percent in the latest survey.

Thirty percent of the respondents expect the changing value of the dollar to decrease their ability to compete and earn a profit in their host countries during the next two years.

At the same time, 18 percent think that increased tariff or nontariff barriers by the U.S. will decrease their ability to compete and earn a profit, while almost twice as many—35 percent—believe that increased trade barriers by countries other than the U.S. will reduce their company's ability to compete and earn a profit in their host countries during the next two years.

#### Investment

One fourth of the executives anticipates a higher inflation-adjusted average level of inventories during the next year compared with last year, while 48 percent expect the same level of inventories.

Thirty-eight percent expect higher investment, adjusted for inflation, in tools and equipment during the next 12 months, while 35 percent expect about the same amount of investment. During the next four years, 49 percent expect higher investment, and 29 percent about the same amount of investment.

For firms concerned with investing in structures, 33 percent expect higher investment, after adjusting for inflation, during the coming year. Thirty-eight percent expect about the same amount of investment. During the longer term, 47 percent expect higher spending during the next four years, and 30 percent expect about the same

#### Africa

The expectations of U.S. business executives in Africa are similar to those elsewhere. They expect higher inflation and assign a low risk to recession. The majority expects higher economic output in 1979 compared with 1978, higher sales, and higher profits throughout the next four years. A larger proportion of African-based executives anticipates serious problems with the price and availability of fuels than their counterparts in other regions.

#### Asia

The majority of executives in Asia expects higher inflation during the next 12 months, although in Australia more than half expects the host government to do a good job in fighting inflation. A majority in the region expects more good times than bad times during the next four years. However, a large proportion of business executives in Asia anticipates serious problems because of the cost and availability of fuels.

#### Europe

Business leaders in Europe, particularly in Spain, Belgium, and the United Kingdom, believe the greatest chance of recession is within the next two years. A large majority—72 percent—expects higher inflation during the next 12 months, with expectations of higher rates greatest in Germany and Belgium. In some European countries, business leaders foresee serious problems because of political instability and terrorism.

#### Middle East

Fully half of the executives in the Middle East expects host country governments to do a poor job in fighting inflation. Among the other problems they see during the next two years are control of capital flow, availability of credit, interest rates, and political problems. U. S. business leaders in this region predict a 28 percent chance of recession within the next 12 months.

#### Canada and Mexico

Executives in Mexico see little chance of recession in the next 12 months, and fully 82 percent expect more good times than bad during the next four years. However, executives in Canada think there is a 50-50 chance of recession in the Canadian economy during the coming year. Only six percent of U. S. business leaders in Canada and Mexico expect serious problems centered on the availability of fuels, but some—28 percent—do expect serious problems with the price of fuels.

#### Central and South America

Overall, U.S. business leaders in these areas, including the Caribbean, express opinions about next year similar to those from Canada and Mexico. The majority in Argentina expects the inflation rate to subside, but majorities in both Brazil and Venezuela anticipate higher prices during the next 12 months. Fully half of the executives expects interest rates to cause serious problems for their companies, with an even larger percentage in Brazil anticipating serious problems with the price and availability of fuels.

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# Life-Style 1 4 W 1 2 1

Chess is a pleasant way to spend an afternoon in the park, even when a bright youngster is threatening checkmate. Many cities have built permanent tables for chess-loving citizens.

Chess devotees say that their sport combines the skill and strategy of a general in battle and the logic of a master mathematician. Computers also make worthy opponents.



HOTO JOHN LAUNCO-BLACK STAR

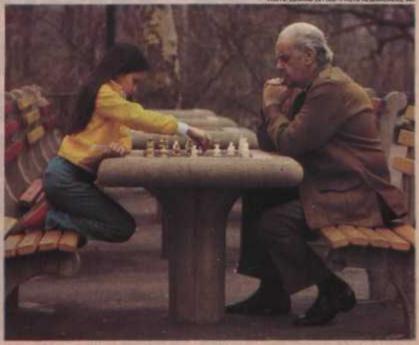


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Chess sets come in all sizes, limited only by the imagination and pocketbook. Some matches have used costumed people.



Chess

# The Sport of Mental Giants

#### By John Costello

оменом гг may not fit your image of a red, white, and blue, star-spangled American sport. There the two guys sit, staring at a chess board, seldom moving a muscle. Except—now and then—to nudge a piece from one square to another.

There is no roar of the crowd, no crack of the bat against a ball thrown toward the plate at a frightening 90 miles an hour.

No dull thuds, grunts, or groans as six-foot four-inch linemen, each weighing an eighth of a ton, crash together on a football field.

No screams and imprecations as two top-seeded tennis stars smash serves and lobs at each other on a clay court.

Not even an obscene gesture.

But to addicts like Larry Kaufman, chess is still the greatest sport of all. "For anyone who is intellectually oriented," he says, "it is one of the most interesting things to do with your life."

This corporation president spends a good part of his life at it. Nearly every Tuesday night, for example, he heads for Your Move. That's a public chess club in the old Georgetown area of Washington, D. C. There, for fun and relaxation, he plays speed chess. Each contestant gets five or ten minutes to squeeze in all the moves he can—from 7:30 p.m. to 11 p.m.

For more serious chess, about twice a week he invites friends over to his home, a condominium in Rockville, Md. They're all chess masters. He has been one since he was 18.

For really serious chess, he plays in major tournaments. They may run for a week.

How does he find the time? He makes it.

"I'm president of a corporation that trades on the Chicago option exchange," he explains. "We have a seat there. However, I never trade on the floor. We have a man in Chicago for that. My role is to decide what to buy and sell." He can do that in Washington as well as in the Windy City. Besides, simply plotting strategy leaves more time for Mr. Kaufman's hobby, which has been called the royal game.

What is his firm's name? The Chess Option Corp.

At 14, Larry Kaufman was in senior high school. Which raises a question. Do all good chess players go to college before they have to shave?

"I get the impression that top chess players aren't necessarily super geniuses." he says. "You don't have to have an astronomical I.Q. However, it doesn't hurt to be smart."

And you don't have to speak Russian. The chess world seems to have been bounded since time began by players with names like Alekhine, Bogoljubow, Lvovich, Korchnoi, Karpov, or Spassky. But 21-year-old Paul Charles Morphy, the first acknowledged chess champion of the world in 1858, was an American. Many authorities still say that he was the greatest chess player who ever lived.

Others, with justification, say Robert James Fischer is. He hails not from the banks of the Volga, but from Brooklyn.

How many Americans play chess? Estimates run from ten million to 22 million. Certainly, almost as many as play bridge.

The ranks of organized chess, however, are much smaller. The U.S. Chess Federation, which keeps tabs on players' ratings, has about 50,000 members, including beginners and senior masters.

Nor is chess an expensive sport.

At Your Move, you can buy a magnetic chess set for \$4. Or a chess and backgammon table with pieces for \$549. At the Village Chess Shop in Manhattan, plastic black and white sets—the kind used in federation tournaments—sell for \$5.50. An English boxwood set—the kind used in world championship matches—will set you back \$800 to \$1,000.

Club dues are modest. They run from nothing at public

clubs to \$162 a year at the prestigious Manhattan Chess Club. Women and young players pay less. At public clubs, you usually pay a small fee-often \$1 an hour or less-to play.

Sound like a drab, dreary pastimeall mental drudgery and no play?

INDA MAHAN, who owns the West Coast executive recruiting firm, Mahan, Marlowe & Associates, finds it addictive, exhilarating, and social, not to mention scenic.

"I've been a member of the Santa Monica Bay Chess Club since 1964," she says. "We use it on Monday and Friday nights.

"It's one of the most beautiful chess clubs in the nation. The entire west wall is glass, and the club sits up on a bluff overlooking the harbor and the Pacific Ocean. At sunset, the view is magnificent."

When the club closes at 11:30 p.m., many players adjourn to a restaurant or cafe nearby. Usually, Linda is one of them. "I have no self-discipline," she complains.

There, the games or the post-mortems may go on until the candles gut-

Why is it so hard to tear yourself away? Linda can explain it.

"People see you sitting there for three or four hours and think: 'My God, how boring!' But for the players, it's high adventure. Your mind is racing. Your gray matter is churning. You're looking three, four, five, or six moves ahead."

What does chess at that level compare to?

"To me," Ms. Mahan says, "it's a lot like driving an automobile at high speeds. I have a restored 1967 Formula S Barracuda fastback. Chess is like driving that car at high speeds over long, undulating, two-lane roads-like from Teton Village, Wyo., back to Santa Monica. "It's a tremendous feeling."

How well does Ms. Mahan play? In her first U.S. Chess Federation tournament in 1965, she came out with a rating of 1,800 plus.

"My rating now," she says, "is about 2,000. I'm among the top U.S. women chess players. If my business allowed me more time for the game, I'd have a shot at being number one."

Suppose you're bitten by the chess bug, like Linda Mahan and millions of other Americans. And suppose, like most Americans, you're competitive. In most hobbies, there are no national norms. But in chess you earn a rating.

How do you get a rating? You earn points in tournament play.

As a beginner or unrated player, you get points for every game you play in federation-rated competition.

For every victory, you get your opponent's rating, plus 400 points. For every loss, your opponent's rating, minus 400. For every draw, your opponent's rating.

Add them up, divide by the number of games you played in the competition, and the average is your performance rating.

The U.S. Chess Federation divides players into nine classes of ability, based on rating:

Senior master-2,400 and above.

Master-2,200 to 2,399.

Expert-2,000 to 2,199.

Category I-1,800 to 1,999.

Category II-1,600 to 1,799.

Category III-1,400 to 1,599.

Category IV-1,200 to 1,399.

Category V-1,000 to 1,199.

Category VI-below 1,000.

For rated players, the computations

are more complex. For example, a player can become a master only by winning that rating in tournament play against masters or experts.

To become a senior master, the player must meet only masters or senior masters.

In other words, you can't reach the top by picking on cripples. Or, to use chess terms, chambon or patzer.

Was it that patron saint of hard-hit-

ting football, Vince Lombardi, who said: "Winning isn't everything-it's the only thing?"

Or was it vice-versa?

At any rate, that's a philosophy many chess players share. Certainly, Anthony P. Cottell does.

"I play to win all the time," says the certified public accountant who has his own business in Wood-Ridge, N. J.

He's a member of the policy board of the U.S. Chess Federation and president of the Passaic-Clifton Chess Club. He got into organized chess at Bernard M. Baruch business school, where he started a chess club.

"I was looking for an extracurricular activity in which I could compete," he

Had he or the school been different. Mr. Cottell might have been a Big Man on Campus.

UT THE Bernard M. Baruch College on Lexington Avenue in Manhattan didn't have much of a campus. It wasn't tree-lined, ivy-covered, ankle-

deep in lush, green lawns, with hollyhocks or lilacs perfuming the air and Yoshino cherry trees making spring a breathtaking delight.

It tended more toward asphalt and auto fumes.

Besides, Mr. Cottell wasn't a star forward swishing jump shots through the net or a scintillating shortstop dazzling the stands with vacuum-sweeper stops



When the superstars of chess meet—as did Spassky and Byrne in Puerto Rico in 1974—the pyrotechnics can be more dramatic than the actual moves, which are sometimes preceded by flamboyant psychological tactics.

#### **How to Achieve Total Financial Freedom**

A MUTUAL CONCERN. We've never met and probably never will, but I think we share a common interest. That interest is in achieving complete and total financial freedom.

Recently my net worth reached the magic million dollar mark, and it only took me 48 months to achieve that.

That might not impress you, but if you had seen me just a few years ago, you might wonder how I did it. I lived in Denver then, in a cramped, tumbled down house at 2545 South High Street. My wife was expecting our second child and we were so broke we had to borrow \$150.00 from a relative just to buy food and pay the rent.

By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average. I did a little better later on but I soon realized that a salaried job was not the way to become financially free. If you'll stop and think, you'll realize that millionaires do not work 10, 20, or 50 times harder or longer than you.

FINANCIAL FREEDOM. It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to achieve your own financial independence, but a workable step-by-step plan to actually do it.

STEP-BY-STEP. Contained in the work entitled How To Wake Up The Financial Genius Inside You are the various formulas which will show you exactly how you can do each of the following:

- buy income properties for as little as \$100 down.
- · begin without any cash.
- put \$10,000 cash and more in your pocket each time you buy (without selling property.)
- compounds your assets at 100% yearly.
- legally avoid paying federal or state income taxes.
- buy bargains at one-half the market value.

MORE LEISURE. If you apply these formulas and methods you will find in a very short time, you will be able to do almost anything you care to do, and I think, at that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what real freedom is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people ac-



Mark O. Haroldsen became a millionaire in four years because he found a way to harness inflation to his benefit. Now it's your turn! "I've found" says Haroldsen, "that most people just need a specific road map to follow...they can do what I've done."

tually do make 10, 20, or 50 times more money than you do.

YOUR MONEY'S WORTH. While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

What would I have been willing to pay for this service? I can tell you one more thing for sure, it would have been a lot more than the \$10.00 that I'm going to ask you to invest in your financial future. country lose, not because they lack intelligence, or even willpower, but because of procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to order, do it now, not later. Otherwise you may lose, just by default.

just by default.

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"... more than 500,000 people have discovered that my formulas will provide the road map that can lead to total financial freedom . . ."

FOR YOUR FUTURE. What will this \$10.00 actually do for you? It will give you a complete step-by-step plan that you can follow to become totally and completely financially independent.

Please try to understand my dilemma. I'm not a New York advertising agency with all their professional skill and manpower to write a powerful and persuasive ad to convince you that I can make you financially independent. I am just somebody who has actually 'done it', and can really show you how to 'do it'.

TEST IT YOURSELF. It's really quite frustrating to have something so valuable as I know I have, but lack the skill to convince people to try it for themselves. I hope by my simple direct approach I can convince you to try my formulas.

INDECISION — THE COSTLY DECISION.
It seems the majority of the people in our rich

dress, and send it along with a check for \$10.00 to Mark O. Haroldsen, Inc., 2612 So. 1030 West, Dept.AA417, Salt Lake City, Utah 84119.

If you send for my materials now, I will also send you documents that will show you precisely how you can borrow from \$20,000 to \$200,000 at 2% above the prime rate using just your signature as collateral.

what skeptical, and believe me, when I started out I certainly was, because of the many people in the world trying to deceive others, I would encourage you to postdate your check by 30 days, and I promise and guarantee that it will not be deposited for at least those 30 days, and if for any reason you do not think that what I have sent you lives up, in every aspect to what I told you in this letter, send the material back, and I will quickly, without question, refund your money and send back your own uncashed check or money order.

\*M2 © Mark O. Haroldsen, Inc. 1979

#### **Bloodless Battles on 64 Squares**

Where did chess come from? In the Middle Ages, it was believed that Adam and Eve devised the game to dull their grief over the death of their son Abel—by the hand of his brother Cain. Chess is an old game, but not as old as Eden after the Fall.

History suggests that chess was invented in India about the seventh century. From ancient Greece, imperial Rome, and the pharoahs' Egypt, archaelogists have found artifacts that look like chess pieces and boards. But these seem to belong to other games that merely resemble chess.

Chess, the authorities say, made its first great gains under the Arab conquerers of Persia. About 1000 A.D., chess appeared in Spain and Sicily. From there, it spread to all of western Europe.

Basically chess is a game of war. Two armies—black and white—battle on a board with 64 squares. Each has 16 men and officers, eight pawns, or foot soldiers, a king and a queen, two bishops, two knights, and two castles called rooks.

As an American GI might note, the armies are top-heavy with brass. The titles—king, queen, bishop, knight, castle—reflect the medieval society in which the game grew. The chess we play today is pretty much the same as that played in western Europe since 1500. It differed from Arabic chess by then. For example, the queen had become the most powerful warrior on the board.

Victory lies in being able to seize the king. But if the king finds a sanctuary—a square on which he cannot be captured as long as he does not leave it—the game is a draw.

With the right program, a computer can play chess and beat some pretty fair players.

But the options on a good series of early moves run into the tens of millions. It's hard to program even a bright computer, with many silicon chips in its brain, to beat a top-notch chess player.

Asia has its own version of chess. Chess Master Larry Kaufman says that Japanese chess, called shogi, beats western chess all hollow. He's probably the best shogi player in the world who isn't Japanese or wasn't reared in Japan.

Why is the game better? "For one thing," he says, "there are very few draws."

and clothesline throws to first or a flashy halfback racing up through a crowd of humiliated tacklers falling like bowling pins.

He was just a competitive guy working his way through school, with only a little spare time, and chess filled the bill. "It was an activity which I wanted to try and be the best in," he says.

What kind of a game does he play?
"I enjoy an open, attacking game.
Some people like to play a closed, cramped position. They wait for their opponent to make a mistake. I just throw the pieces out there and kind of cut and slash."

If he were playing tennis, would he be more like a Jimmy Connors or John McEnroe than a Bjorn Borg?

"That's a very good analogy," he says.

Mr. Cottell finds that tournament chess, which may run for a weekend or a week, is physically tough. "Sometimes a good chess player hardly eats over a weekend," he says. "You can lose five or ten pounds. I know. I have. You're worn-out, but it's a fun type of worn-out."

Why do it?

"I get a deep sense of satisfaction out of it," he says, even though he's no world-beater. "I'm in the class between 1,400 and 1,600," he says. "But there is beauty in the game itself, whether you lose or win."

Until she was 16, Valerie Stocking didn't know the Orangutan Opening from the Sicilian Defense.

HE ORANGUTAN OPENING, of course, does not describe the kind of play you'd expect from a chimpanzee's cousin. It refers to an unorthodox beginning game played by white in an 1895 match in Vienna.

Nor does the Sicilian Defense have anything to do with organized crime or bullet-proof vests. It's a classic strategy employed by black, whose first move is the queen's bishop's pawn.

Ms. Stocking learned about chess when a boy she dated in college taught her the game. For years her interest was dormant.

Now, the New York research analyst has set an ambitious goal that is perfectly understandable in this age of equal rights.

She'd like to reach the master level in chess.

Why? Because so far no woman has.

Ms. Stocking is a member of the
Manhattan Chess Club in New York
City, the nation's oldest—founded in
1877—and probably best-known chess
club.

To her, its location is a big plus.

"I have an apartment just two blocks away," she says, "and I can walk over in any kind of weather. It's open seven days a week, and I can walk in and pick up a game at any time."

She goes there three or four times a week and takes lessons from a former manager of the club.

Ms. Stocking is a born-again chess player. After years away from the game, she played her first tournament on a bitter winter day in Manhattan just two years ago.

"It was held in an elementary school," she says, "and I can remember the game as if it were yesterday."

What makes the memory so vivid is that a bright, brassy eight-year-old boy knocked the socks off her. Not only did he play better, but the smart-alecky third-grader rubbed it in.

That kid was just the inspiration she needed. "I was determined never to get beat like that again," she says with a laugh.

But why would she like a master rating? "If a man can do it," she says with irrefutable logic, "so can a woman, if she's willing to work hard enough."

Zaki Harari plays chess with postcards. He's a former over-the-board player who turned to chess by mail, and he keeps a stack of postcards in his San Francisco apartment.

He has spent half his life as a woodpusher. He wishes it were more.

"I started playing at the age of 16," he says. "Most people, you know, learn around six or seven. Bobby Fischer was a grand master at the age of 15."

However, to some extent, Mr. Harari has made up for lost time. He has a master rating in over-the-board chess and has had a top rating at one time of 2,315. The West Coast businessman has played in a lot of top-drawer tournaments.

But he had to give up that kind of time-consuming tournament chess when he became an options trader on the Pacific Exchange. "At the same time," Mr. Harari says, "I didn't want to quit chess. I really love it. I saw an ad in *Chess Life & Review* for postal chess, and I decided to try it."

How does a person play chess by mail? Patiently. If over-the-board chess strikes you as being a little slow, like watching glaciers race, grass grow, or cars rust, you're far too antsy for postal chess.

Mr. Harari says: "I entered the 1978 national championship tournament run by the federation, which selects your opponent. He sends his move to you by mail—usually by postcard. It's cheaper than first class.

"After you receive it, you have three days—weekends excluded—to mail your move to him.

"So far, I've played eight games and won them all. So I'm in the semifinals. But postal chess takes a lot of time. It may be 1981 or 1982 before we know who's champion."

True, it lacks the hair-raising terror of racing down an icy mountain slope on hot-dog skis or the bone-crushing impact of rugby players battering each other black and blue in a nasty scrum.

But in chess, black and white play for keeps. No quarter is asked nor is it given.

Sometimes a rivalry will go beyond the 64 squares of the board on which chess wars are waged.

They tell the story of two Russian masters, Alexander Alexandrovitch Alekhine and Efim Bogoljubow. The two clashed often, and their chess games made the sparks fly.

Once, both appeared at a social function. Alekhine had the advantage of being asked to speak.

After the usual compliments to his audience and the head table, Alekhine told this story:

"Last night, I dreamt that I died I arrived at the Pearly Gates where I was met by St. Peter.

"'Who are you?' St. Peter asked.

"'I am Alekhine!' I replied. "The chess champion of the world."

"'Sorry,' St. Peter said, 'but we don't allow chess players in here.'

"I was crushed and about to leave without a word, until I looked inside the gates and spied Bogoljubow.

"'Wait, St. Peter,' I shouted. 'Wait. You said chess players aren't allowed in Heaven. But there's Bogoljubow.'

"'Oh,' St. Peter replied scornfully, 'he's not a chess player.

"'He only thinks he is.'"

# Argentina

A MONTHLY COMMENTARY ON DEVELOPMENTS #3

#### Argentina as World Supplier of Agricultural Products

The current economic plan of Argentina, launched in April 1976, represented a complete departure from former policy regarding the agricultural sector.

The most significant reform was the gradual decontrol of foreign trade, removing export taxes and restrictions on the amount of products salable to other countries.

Furthermore, a foreign exchange policy of gradually establishing fewer rates of exchange until reaching a single rate by the end of 1976, multiplied the favorable effects of said foreign trade liberation.

A new system for marketing grain and other staple crops allowed the placement abroad of the surplus of the three largest crops in Argentine history. There has also been a better use of storage capacity and coordination of transportation systems.

Through the enforcement of these policies, Argentina has overcome a protracted period of stagnation or of very low rates of growth, entering into a stage of high expansion.

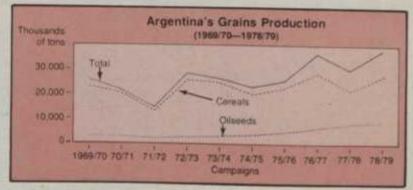
The growth attained during this period, culminating with a record output of 6,230,000 tons for the 1978/1979 agricultural cycle, far exceeds the figures for the preceding years. In the case of soybean there was a 50% increase over the previous year. This circumstance was manifested by a greater participation of Argentina in the world markets. Exports soared from about nine million tons in the period 1972-76, to an average of 16 million tons during the last three years. This means that for the last ten years there was a compound annual rate of growth of 5.8%.

The picture of the cattle industry during the last three years has also been consonant, in large degree, with that of crops, as shown below:

Year	Beef Exports (In metric tons)	Domestic Consumption of Beef
1976	590,800	2.505.300
1977	653,700	2,534,400
1978	732,000	2,739,000

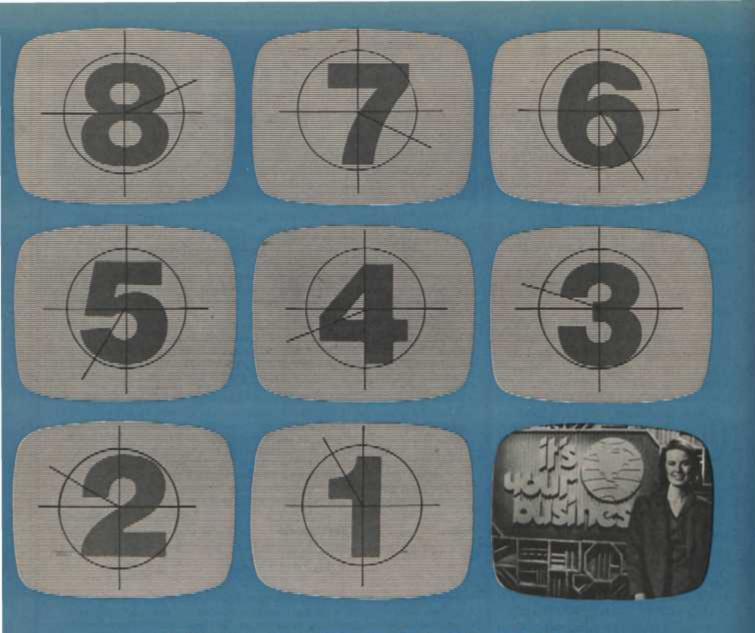
The expansion of the agricultural sector has been paralleled by a similar development of the industrial sector that processes them, as can clearly be seen by the increase of exports of manufactured staples. The exportation of the latter has effectively increased by 14% in 1976 compared to 1975; by 84.4% in 1977 compared to 1976 and by 111.5% in 1978 compared to 1977.

In brief, the Republic of Argentina, on a per capita basis, is worldwide the second largest producer of proteins, has the second largest loading facilities for grains, having reached the record figure of 32 million tons for cereals and oilseeds; and has stepped up from a yearly production of 900 kilograms of grain per capita to 1,200 kilograms, which places it in first rank worldwide. Argentina's food exports provide for 250 million human beings the necessary calories to rise from starvation to the normal diet required by man.



This monthly column of information reports on developments in the Argentine Republic, and is sponsored by the Ministry of Foreign Affairs & Worship, San Martin Plaza, Buenos Aires, Argentina.

Readers' inquiries are welcome.



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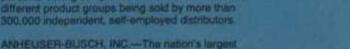
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#### SOUND OFF TO THE EDITOR

#### Is the Cost of Clean Air Too High?

ARE AMERICANS paying too much for pristine clean air? For an atmosphere that may be cleaner than necessary?

Some people think so. Until now, they say, reasonable investments in control measures have reduced industrial pollution substantially. But from this point on, the costs will increase dramatically for very minor gains in air quality.

For example, in some industries, up to 95 percent of the air pollution has been eliminated. To reduce the remaining small percentage, however, would require many times the investment needed to end the bulk of the pollution.

The cost of compliance with air pollution rules from 1977 to 1986 will surpass \$229 billion, according to the Environmental Protection Agency.

Besides objecting to the monetary costs, many who favor easing air quality rules question the evidence that is used to support more stringent standards. It is nearly impossible, they point out, to isolate the effects of myriad other influences in the urban environment.

Most studies claiming to show the dangers of air pollution are based either on comparisons of urban and rural disease rates and mortality statistics or on the effects of pollution crises in cities with special air circulation problems. There is no practical way to prevent episodic accumulation of pollutants in some urban areas, say those who favor relaxing the rules. They ask whether it is fair to impose a costly burden on everyone in a futile attempt to reach total air purity?

Opponents of easing the restrictions agree that not enough is known about the effects of pollution on health. And that uncertainty, they believe, is a good reason to avoid taking chances. Many of the most serious diseases take a long time to develop, they say, and by the time symptoms show up, it is often

too late to help the afflicted. The supporters of stringent air pollution controls also challenge the cost-benefit calculations of those who oppose stricter controls.

Air pollution damages buildings, machinery, and crops, the supporters say. When the cost of this damage is added to the cost of caring for the chronically ill, the totals are high enough to justify almost any expenditure on control technology, they argue

Proponents of less strict controls note that the single greatest influence on urban air quality improvement to-day is the gradual replacement of older automobiles by those built to present standards. This improvement will continue for several years, they say, even if no further pollution control steps are taken.

What do you think? Would easing air quality restrictions be good for the economy? Is the cost of clean air too high?

PLEASE CLIP THIS FORM FOR YOUR REPLY

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Largest utility flue gas fabric-filter cleaning system is in Texas; it has 14,000 30-foot-long filter bags.

# ENVIRONMENTAL CONTROL: Keeping the Good Earth Clean



By John H. Jennrich

I N 1623, John Donne wrote: "No man is an island, entire of itself; every man is a piece of the continent, a part of the main; if a clod be washed away by the sea, Europe is the less...."

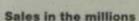
The English poet was not famous for being an environmentalist, but his sentiments are echoed 356 years later by Jack J. Combes, coordinator of environDuring that decade, federal and state governments pressured industry through legislation and regulation to clean up. Substances that formerly went into the air or water and even the noise of industrial activity came under control. Not surprisingly, various industries were less than enthusiastic about investing capital in nonproductive pollution control equip-

growth—22 percent annually—than industrial chemicals generally, which had 17 percent a year, the study notes.

Profitability, while growing rapidly at 18 to 25 percent annually, is about average for comparable industries. Return on stockholders' equity for the equipment and instrumentation sectors is about 11 percent; for the water pollution control chemicals sector, the figure is 15 percent.

"This kind of profitiess prosperity mirrors the disappointment that many companies have found in this glamour industry," says the ADL study. "Growth markets usually provide higher than average profitabilities, which stimulate needed business investments.

"This history of average or lower than average profitability is working against investment in new plants and technologies by companies within the industry," the study concludes.



Financially, the leading pollution control companies do not have the strength of multibillion-dollar corporations. The largest companies typically have corporate sales of \$200 million to \$700 million a year.

For example, Envirotech Corp. of Menlo Park, Calif., was formed in 1969, the same year the federal Council on Environmental Quality was set up and one year before the birth of the Environmental Protection Agency. The firm employs 8,500. Revenue for fiscal 1979 ending March 31 was nearly \$557 million, up from \$360.5 million in fiscal 1975. But earnings per share, at \$1.48, were the lowest in five years and down sharply from \$3.33 in fiscal 1978.

Competition among the estimated 1,000 firms in the industry is fierce, especially in new technologies such as flue-gas desulfurization and resource recovery systems. "Competition in these frontier markets has been working so well that most of the companies have



The automobile's role in air pollution grows smaller each year. In 1978, only two percent of cars on the roads had no emission controls at all, and 34 percent had catalysts or equivalent systems.

mental control for W. R. Grace & Co. "Do you realize that the natural environment, the life support system of our home—the earth—is the largest, most complex interacting chemical-physical process ever? And we are responsible for it. Our actions can damage it. We cannot shut it down for repairs, and if we mess it up, we cannot order a new one from the original contractor."

The environment is as old as the hills, but it wasn't until after World War if that the term became popularly used. And it wasn't until the 1960s that public and governmental concern about it became evident.

ment rather than new plants and products.

Today, a whole new industry employing about two million people is making money from protecting the environment.

Annual sales growth for the industry is about twice the nine percent annual growth for all manufacturing in the United States, according to a study by Arthur D. Little, Inc., a consulting firm in Cambridge, Mass.

Equipment makers averaged 16 to 20 percent growth per year, comparable to the industrial machinery industry. The water and wastewater treatment chemicals business enjoyed a greater



yet to make any profits," says the ADL study.

In the more mature businesses such as design, manufacturing, and installation of air and water pollution control equipment, the top 15 firms account for 50 to 60 percent of the total business; the top 20 for 70 to 80 percent.

Despite legislated markets and federal funding, there is a fair amount of risk in the pollution control business. The enforcement process can adversely affect the timing of business, and federal funding can be delayed by Congress. Trying to anticipate legislation or regulation can also be hazardous.

"Research and development is risky," according to the ADL study, "because it may take five years to develop a new system while regulatory initiatives can bloom or change direction within a year."

In addition, new environmental standards force the industry to market new, untried technology. One result is greater frequency of system failures, which in turn delay compliance with standards. The Environmental Industry Council, a trade group formed in 1976, says that ten percent of all sales revenues go back into new equipment research. Nearly 44 percent of the industry's products each year are considered innovative.

According to the Council on Environmental Quality, the United States spent more than \$48 billion on all pollution programs in 1978, covering air, water, toxic substances, and radiation as well as state land reclamation and local garbage collection and disposal. Of the \$48 billion, the Commerce Department estimates that \$7 billion was spent by private business—an increase of three percent over 1977.

#### **Utility retrofit**

In air and water pollution abatement alone, a voluminous report by William T. Lorenz & Co., a Boston consulting firm, forecasts private and governmental spending of \$200 billion from the mid-1970s to the mid-1980s.

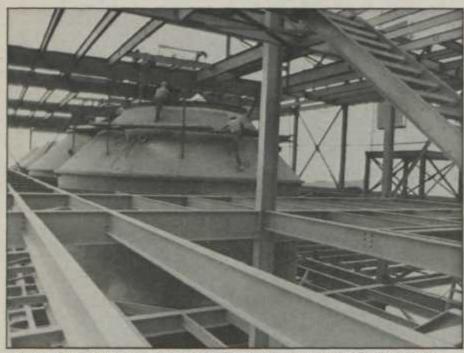
A more recent projection by the EPA sees 1977-86 industry investment of \$95.5 billion. Add operation and maintenance, and the figure jumps to \$288 billion. The government plans to spend another \$73 billion, for a total ten-year expenditure of \$360 billion.

The Lorenz report calls the outlook for the air pollution control equipment and construction industries mixed. "The completion or near completion of the first round of retrofit of utilities and industrial plants has created a slowdown in orders for equipment and construction activities," says Lorenz & Co. "In addition, the often confusing and uncertain legislative and regulatory environment has created a pause while many participants and polluters wait to see what will happen."

#### Myriad of products

The major users of air pollution equipment include steam electric power plants, iron and steel mills, pulp and paper mills, primary metal smelting plants, and chemical and cement producers.

Major products include particulate emission collectors such as electrostatic precipitators; fabric filters like the gigantic baghouses that clean the air by sucking it through stories-high, tube-shaped fiber glass filters; mechanical collectors



Costly air quality control systems are required by law to meet sulfur dioxide emission standards. These high velocity spray tower absorbers built by Peabody International Corp. use limestone slurry to scrub flue gas of impurities.

#### **Mountains of Waste**

Industrial evolution and progress have multiplied the problems of solid waste, according to Peter M. Micheli of the Boston-based consulting firm, William T. Lorenz & Co.

"Industrialization has created more manufacturing by-products as well as end-use products that eventually become waste," he says.

"For example, the production of 100 tons of steel results in 280 tons of mine waste, 12 tons of air pollutants, and 97 tons of solid waste," Mr. Micheli says.

Solid waste generally describes the sludge, trash, and other materials that are disposed of on land rather than emitted into the air or water.

While planned obsolescence and relatively cheap raw materials in past years have contributed greatly to solid waste, the federal government itself has compounded the problem, says Mr. Micheli.

"Federal policies have made it economically attractive to use virgin materials rather than recycled ones. These policies have permitted depletion allowances, more favorable freight rates for virgin materials, and prejudicial labeling of secondary materials," he says.

"Only about six percent of municipal solid wastes are now recycled, and most of this is paper."

In 1977, there were 4.6 billion tons of solid waste from: Municipal sources, 145 million tons; industrial, 390 million tons; U.S. government, 32 million tons; mining, 1.7 billion tons; and agricultural, 2.3 billion tons.

By 1985, with all categories growing, the total is expected to be 6.6 billion tons. and wet scrubbers, gaseous emission control devices including catalytic, thermal, and direct oxidation systems, gas absorbers; and flue-gas desulfurization scrubbers.

The industry also produces dust collection equipment, filters, and air washes that are used in heating, ventilating, and air conditioning systems.

#### Slower growth

The air pollution control equipment market reached \$750 million in 1979, but it should rise from now until 1982, partly because the major impact of industry's conversion to coal will be felt in the early 1980s. By 1982, the market could be \$1.1 billion, with slower growth expected from then to 1985.

"Total capital expenditures for air pollution control, including production process changes and installation of extras, will be close to \$8 billion in 1982, up from \$5.5 billion in 1979," the Lorenz company's report says.

The report adds that the operation, maintenance, and repair of air pollution control equipment is and will continue to be a significant part of total expenditures. "The estimate of \$9 billion for 1985 may be low," the report says. "It appears that repair services offer the greatest opportunity for private contractors. It is surprising that no major pollution control company has entered this market."

#### Bars and screens

There are three major areas of water pollution control-potable, industrial, and waste water-and four levels of treatment: Pretreatment, using bars and screens; primary treatment, done with thickeners, clarifiers, and flocculators, which form floc or the aggregate of fine suspended particles; secondary treatment with various types of filters; and tertiary treatment to separate the water from its remaining pollutants by use of membranes in reverse osmosis, ultrafiltration, and electrodialysis. In addition, manufacturers produce meters and control equipment, pumps, water quality monitors, and samplers.

Sludge and solid waste is handled, processed, and, in some cases, recycled to recover energy or valuable minerals. Equipment for handling the material includes conveyors, compacters, containers, and shredders. Processing is done by dryers, incinerators, and digesters.

The cost of noise pollution abatement ranges from \$10.5 billion to \$18.5 billion, according to the latest (1976) estimates from the Occupational Safety and Health Administration. The final dollar

cost depends on whether OSHA picks a 90-decibel standard or the more restrictive 85-decibel standard.

Noise pollution control equipment is used in plants, factories, and workshops as well as in banks, schools, libraries, and other nonresidential buildings. Probably the most ubiquitous noise pollution control device is the automobile muffler.

Disposal of hazardous wastes such as polychlorinated biphenyls will be done in the future by burning at high temperatures, according to Frans J. Kok, director of the economic analysis division in EPA's Office of Planning and Evaluation. Efforts will also be made to bring disposal sites and landfills up to certain standards, he adds.

#### Commensurate benefits

The cost of pollution control is far easier to assess than its benefits.

EPA Administrator Douglas M. Costle says: "I think EPA is doing a careful and successful job of ensuring that the investments we require yield more than commensurate benefits. Even though measurement is difficult, a number of studies have asked whether or not we are setting a sensible balance. They generally conclude we are."

A look at the industry over the long run shows continued expenditures and growing employment demands. A study by Data Resources, Inc. of Lexington, Mass., for the Council on Environmental Quality shows a reduction in unemployment of 0.2 to 0.4 percent a year for the next seven years. That same macroeconomic study, which looked at the impact of air and water programs from 1970 to 1986, also shows an increase in the consumer price index of 0.1 to 0.2 percent a year until 1986 because of pollution control efforts.

#### Small cost

Data Resources found that from 1970 to 1981, environmental expenditures added to the gross national product, but from 1981 to 1986 would produce a slight decrease in GNP. The total effect would be a GNP in 1986 one percent less than it otherwise would have been. Gustave Speth, a member of CEQ, says: "In my judgment, the cost is small. It is probably one half to one third of one year's growth spread out over 1970 to 1986, and it is a very small price to pay."

Some industries have a different opinion. The paper industry spent \$4 billion to meet the 1977 standards. To meet 1984 standards, American Paper Institute economist Norma Pace estimates the industry will spend between \$2 billion and \$8 billion, "depending on EPA interpretation." She says that EPA now favors standards so strict that they are burdensome. "The cost now seems on the high side, but we're fighting this kind of interpretation by EPA," she adds.

James F. Collins, executive vice president of the American Iron and Steel Institute, says the high costs are more

#### No Place for Pollution

Pollution, which is sometimes defined as resources out of place, is a problem that won't go away.

The nexus of the problem is the fundamental physical rule that nothing is ever consumed. For example, mercury can be mined, transported, processed, used, and discarded, but as much mercury exists at the end as at the beginning. The metal is simply in a different place and perhaps in a different condition than it was before.

The Worldwatch Institute, a nonprofit research organization in Washington, D.C., recently published a pamphlet, Pollution: The Neglected Dimensions, that highlights some of the problems of pollution.

The pamphlet points out that most of what passes for pollution control does not recover resources in a useful form; it merely displaces them further, "Air pollutants are often converted into water pollutants or into solid waste. Long-lived radioactive wastes are isolated from this generation, but are left to haunt our descendants," the institute says.

The institute notes that the amount of acid rain hitting the Parthenon in Athens this year is unlikely to cause unacceptable damage; however, in the course of decades, the structure could be severely defaced.

"In any one year, the carbon dioxide emitted by fossil fuel consumption will have a negligible effect upon the global climate," the pamphlet says. "Once emitted, however, much of the carbon dioxide will remain in the atmosphere for a long time and could build up to cause dramatic alterations in the temperature and rainfall patterns of the world."



than burdensome. "They impede modernization, and the ill effects are going to be felt in the future," he says, adding that a company like U. S. Steel is spending one third of its capital budget on environmental controls.

All in all, says Mr. Collins, the steel industry spent \$3.7 billion from 1951 to 1978. To meet the 1982 requirements of the Clean Air Act and the 1984 requirements of the Clean Water Act, the steel industry will spend \$5 billion.

#### **Burdensome restrictions**

The oil industry, according to the American Petroleum Institute, spent at least \$15.5 billion on environmental controls from 1969 to 1978. Like the paper industry, the petroleum industry says future costs will depend on how restrictive government policy becomes. Just for capital investment, on a cumulative basis in 1979 dollars, API expects the industry to spend \$12.1 billion to \$38.3 billion by the end of 1979. By 1965, predicted cumulative capital costs will range from \$19.1 billion to \$64.7 billion.

Thomas Nanney, senior environmental associate for API, says: "The dollars are not as burdensome as the restrictive regulations that prevent us from operating smoothly and effectively. We've been unable to build a refinery in years, and the East Coast desperately needs a refinery."

Dr. H. E. Pendleton, API's assistant director for environmental affairs, adds: "We believe, like every other industry, in reasonable environmental controls. However, when you're dealing with overkill, the benefits are not to worth the cost." Speaking of EPA's \$360 billion 1986 projection, which includes \$229.4 billion for air pollution control and \$130.7 billion for water, Dr. Pendleton says: "When you're speaking of sums of that magnitude, it behooves everyone to be prudent and not to spend money on things we don't need."

#### Pervasive impact

While pollution control is costly, environmental requirements have stimulated new industrial technology and increased productivity, according to the Environmental Industry Council. This aspect, says the council, is "one of the most pervasive and potentially most significant of all the economic impacts. It is also one of the least studied."

The council has a list of firms that have increased productivity, reduced raw material costs, and saved energy through pollution control:

- An \$8 million pollution abatement system installed by the Great Lakes Paper Co. reduced the plant's operating costs by \$4 million a year.
- A refuse-to-energy plant built by Wheelabrator-Frye to replace a regional landfill near Boston recovered the energy equivalent of 27 million gallons of fuel oif a year to be used at a General Electric plant nearby.
- Burners to reduce air pollution at a Florida power plant lowered operating costs and reduced fuel consumption by 4,000 barrels of oil a year.
- Garden State Paper Co., an affiliate
  of Media General, Inc., of Richmond, Va..
  annually recycles about 600,000 tons of
  used newspapers to produce 14 percent
  of all newsprint manufactured in the United States. The system is less energyintensive than the virgin newsprint manufacturing process and pollutes less.
- The Glass Containers Corp. of Dayville, Conn., a division of Norton-Simon, Inc., developed the largest glass recycling program in the country, after discovering that 50 to 100 percent of a batch of molten glass can consist of used glass-Formerly, 30 percent was the maximum. During 1978, the firm reused more than a billion glass containers.
- · Uniroyal Chemicals had to deal with hundreds of thousands of gallons of dangerous, gasoline-like by-products called nonenes. They were put in drums, sent out of state, and burned-all dangerous and expensive. Research led to a method of burning nonenes in the company's steam generating plant. The method cut fuel oil costs, ended out-ofstate shipment of nonenes, spared most personnel from exposure to the chemical, and reduced sulfur emissions from the plant smokestack, because nonenes contain virtually no sulfur. Bottom line: Investment costs of \$48,000; benefits in the first year of \$183,000.

Says former EPA Administrator Russell E. Train: "We have all heard it suggested that environmental programs will stop or slow down economic growth. Just the opposite is true. It is pollution, not its control, that limits growth."

#### The Future File

Top executives in environmental control companies are facing a mixed future, subject in great part to federal legislation and administrative interpretation of the clean air and water regulations. Here are some of their thoughts on the problems that lie ahead.

John T. Schofield, president of Stablex Corp., Radnor, Pa.: "With new and tougher legislation imposing an ever increasing financial burden on the waste disposal industry, we are going to see major changes. Only those companies with substantial financial resources will be capable of survival. This will mean that a few major companies will service the industry with the simultaneous collapse of smaller companies no longer able to meet the required obligations of financial liability."

Dr. Ira Kukin, founder and president of Apollo Technologies, Whippany, N. J.: "There is no question that we will never go backward on pollution control no matter who the President is. The mission is clear. We may have slowdowns or relaxed timetables.

"Business may be down in some portions of our industry because customers are confused about what requirements they will have to meet. They are interested in cooperation if only they had clear-cut requirements."

Michael D. Dingman, board chairman and chief executive officer of Wheelabrator-Frye Inc., Hampton, N. H.: "Success in the future will come from correctly anticipating society's needs and devising and implementing new systems to solve environmental problems that have so far eluded conventional approaches.

"These solutions will include the refining of coal, which will create non-polluting synthetic fuels and a vast array of products for the chemical and metallurgical industries and transportation. This will lead to the eventual obsolescence of some of today's pollution control technology.

"These environmental solutions will also include the national acceptance of refuse-to-energy systems and large-scale incineration of industrial and municipal sludge. There are proven technologies to produce energy while eliminating the solid waste and sludge that blight the land and waterways. New technologies such as the fluidized bed for clean combustion of a variety of fuels will also be introduced."



To order reprints of this article, see page 38.

# MISSISSIPPI is NUMBER

# in business climate

... according to the Conference of State Manufacturers Association March, 1979 study of the 48 contiguous states conducted by Alexander Grant & Company.

The State Manufacturers Association study also stated that Mississippi ranked 7th in the number of manufacturing jobs gained during the period 1968-1978.

Eighteen criteria were selected as factors that affect business climate, such

as union membership, energy costs, manufacturing wages, work stoppages, taxes, pollution abatement, among others.

For a copy of the study and additional information about Mississippi's Industrial Development Program, write W. J. Caraway, Executive Director or Jim Miller, Manager, Industrial Development Division, Mississippi Department of Economic Development, P. O. Box 849, Jackson, Mississippi 39205, or call 601/354-6700.



MISSISSIPPI...AMERICA SOUTH

# The Scottish Connection

Tiny Scotland is working on a second industrial revolution with the help of foreign firms

By Michael Thoryn



The Texas of Europe is one way to describe Scotland, with oil from the North Sea arriving at tanker terminals like this one at Grangemouth.



Skilled Scottish labor has helped Baker Oil Tools of California expand threefold in Aberdeen. The factory's production goes to the North Sea and the Middle East.



Cummins Engine is doubling the size of its diesel engine plant in Shotts, midway between Glasgow and Edinburgh, with distribution aimed at the Common Market.

SCOTLAND, the home of Robert Burns, Sir Walter Scott, and perhaps the Loch Ness monster, is trying to start a second industrial revolution

Its competition—some call it cutthroat—to lure foreign investment from companies of all sizes comes not only from England, Wales, and Ireland on the British isles, but also from other countries and many U.S. states touting combinations of skilled labor, good location, financial incentives, and access to energy and natural resources.

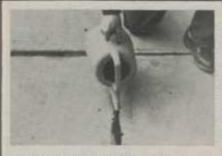
With a population of 5.2 million concentrated in a central belt of its 30,000 square miles, Scottish officials believe their land—about the size of South Carolina—is well-placed to capitalize on the 260 million consumers of the Common Market, the world's largest

# RANDUSTRIAL MAINTENANCE

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Beckman Instruments and Hughes Microelectronics are among electronics firms with facilities in Glenrothes, a bustling new town of 40,000 founded in 1948. Only a short walk or bus ride is needed to go from home to job to recreation.

free trade group. Leading the effort to regenerate Scotland's ancient industrial muscle is the Scottish Development Agency, set up by an act of Parliament in 1975.

"We regard business cooperation as a key element in our strategy to encourage new technological growth and the transformation of traditional industries," says Lewis Robertson, chief executive of the agency.

Its growing budget—\$160 million in 1978—is used to invest in industry, build factories, and help small businesses with the twin goals of preserving employment and modernizing industrial facilities.

#### A long decline

Mr. Robertson points out that 15 percent of Scotland's manufacturing work force is already employed by American firms, nearly 100,000 workers at 200 companies. And the agency is looking for more foreign firms, particularly those in electronics, plastics, and pharmaceuticals as well as companies associated with oil and gas development and heavy manufacturing.

The idea is to compensate for losses in the iron and steel and shipbuilding industries.

Scotland has experienced a long de-

cline from industrial superiority. The industrial revolution started on Glasgow's River Clyde with metalworking and shipbuilding, complemented by coal mining nearby.

#### World famous engineers

By the 1890s, Glasgow could reasonably be called the Houston of the 19th century. The Scots built 30 percent of the world's ships; one quarter of the world's locomotives were pounded together in a tiny Glasgow district.

But from 1910 on, expansion in these basic industries began to slow. Scotland's principal export came to be people, typically the world-renowned-Scottish engineer.

The 1950s and 1960s saw a new wave of development. U.S. firms such as Beckman Instruments, Inc., a California-based electronics company, and Cummins Engine Co., Ltd., a diesel manufacturer headquartered in Columbus, Ind., opened facilities. Other new arrivals include Hughes Microelectronics, Ltd., a subsidiary of Hughes Aircraft, Burroughs Corp., Digital Equipment Corp., and Baker Oil Tools, Inc.

One reason U.S. firms should consider investing in Scotland is "the common language and culture, though there is a problem with accents from time to time," says Robert Barr, general manager of Cummins's plant, which is now being expanded in Shotts.

"Dealing in English you can work effectively from the first day," adds consultant Richard Funkhouser, former U.S. consul general who liked Edinburgh so much he decided to stay.

Other reasons to consider a Scottish business connection:

- Financial incentives. Although government grants are not as extensive as in Ireland, a manufacturing firm can qualify for a grant of 22 percent on the cost of a new building, plus possible tax concessions and help in recruiting and training staff. As Scotland's largest industrial landlord, the development agency has about two million square feet of space ready for occupancy.
- A skilled labor force. The long industrial tradition and several technical colleges result in a diversity of talent ranging from precision engineering to modern farm technology.
- Good transportation and communications. Most western European industrial cities can be reached by daily air service. Highways, railroads, and seaports on both east and west coasts link Scotland to British and European markets.
- Energy self-sufficiency. Increasing production of North Sea oil and gas and centuries of coal reserves can meet industrial or commercial expansion on almost any scale.
- Factory sites in the 28 new towns that dot Britain. Glenrothes, about 30 miles from Edinburgh, was founded in 1948 and has attracted 160 firms occupying 4.8 million square feet of office and plant space.

With a population of 40,000, Glenrothes employs 16,000, many in electronics. One booster of new-town development says: "New towns in Britain are the frontier as the West was in the United States."

A stable government. The Conservatives under Prime Minister Margaret Thatcher are bolstering private enterprise, even to the point of planning to sell portions of previously nationalized industries.

What the Scots would like to see in the 1980s is a second industrial revolution, this one based on high technology industry. Scotland, they say, is a logical outlet for expansion into Europe by U. S. firms.

"You'd be wrong if you don't find out what Scotland has to offer," says Mr. Barr of Cummins.

#### **Few Backers for Federal Energy Corporation**

"If the federal energy corporation is formed, I hope its first job will be to sift through the oil-stained sands of the Texas Gulf coast. First separating out the oil, then letting the government boys in Louisiana show them how to build a salt dome to store it. Then using the budget and manpower of the Department of Energy to kick off sales.

"This would allow the oil industry and free enterprise enough time to solve the energy crisis."

This is the opinion of Craig B. Fields, an independent petroleum geologist. Corpus Christi, Texas.

When NATION'S BUSINESS polled its readers about the creation of a federal energy corporation in the October Sound Off to the Editor, 95 percent of those who responded opposed it.

Robert Gaines Johnson, press secretary to Rep. Ray Roberts (D.-Texas), says: "The mentality and sense of history projected by advocates of such a corporation are shocking. The federal government's record for production and industrial achievement is far less than a desirable barometer for the success of such a corporation. Although Americans have often looked toward government to serve them, current trends have led many to believe that government can do things they really could do better for themselves."

Christopher J. Winter, assistant publisher of the Reporter/Progress Newspapers, Downer's Grove, Ill., also opposes the idea. He says: "It is a stepping stone to government-owned oil companies. This nation was built on free enterprise; let's see what business can do on its own."

"It is inconceivable that anyone would think of adding insult to injury by appointing another federal agency," says G. M. Rohde, chairman of the board of G. M. Rohde, Inc., Syracuse, N. Y. He continues: "The present Department of Energy with its \$10 billion budget costs the average family \$250 per year and an additional \$250 annually through regulations and reports it imposes on industry." Mr. Rohde suggests that by eliminating DOE each

#### Rely on the Free Market System



"If the federal government owned and managed the Sahara Desert,

there would be a shortage of sand within a year," comments Glenn Hackney, a Republican state senator in Alaska.

He opposes the federal energy corporation, which the Carter administration would fund from its proposed windfall profits tax on the oil industry. The purpose of the corporation would be to produce enough liquid fuels from alternative sources to reduce petroleum imports by 2.5 million barrels a day by 1990. "Let the synfuel industry develop within the free market system," he says.

Mr. Hackney, 54, moved to Alaska from upstate New York 31 years ago. A salesman for Lewdons, Inc., he now lives in Fairbanks.

American family would save \$500 per year plus enjoy greater availability of oil and gas.

"Government decontrol of gasoline and all oil prices and tax incentives are the only way to get things done," according to D. F. Whitehead, chairman of the board and chief executive officer of the Standard Register Co., Dayton, Ohio.

Voicing the views of the minority who favor the federal energy corporation, D. E. Fritz, president of Avtron Manufacturing, Inc., Cleveland, Ohio, says: "History has shown that the energy companies will not place social responsibility before maximized profits."

Graydon E. Anderson, president of Anderson Metal Industries, Inc., Franklin, Pa., agrees. "The energy industry has known, or should have known, for years, what this country was heading into and it has done little to prevent the problem. As a businessman, I can understand the let-someone-else-do-it attitude, but some action is better than none," he says.

R. H. Berlind, district manager for Amoco Oil Co., Brookfield, Wis., opposes a federal energy corporation. "What is needed," he says, "is a comprehensive energy policy that encourages exploration, investment, and conservation. If this were accomplished, supply would be more plentiful, and prices would be less inflated."

"There is no need for a federal energy security corporation as proposed by President Carter," says B. M. Hostrup, a manager of technical services for United States Gypsum Co., Chicago, Ill. He advocates decontrol of oil, natural gas, and gasoline prices. "This, coupled with a proper tax incentive system, will provide the means to develop the use of synthetic fuels," he says, a development he believes would be better handled by the private sector.

"Just what we need" says Wylie J. Costlow, resale district manager for Mobil Oil Corp., Omaha. Neb. "We could have the same group that was filling the salt caverns with our strategic reserves do the exploration and drilling; the U. S. Postal Service could do the administrative work; and Amtrak could set up the distribution and delivery system. Are you kidding?"

# Curtain Time for the White House Conference on Small Business



With defense spending slated to rise, a key subject at the White House conference will be government procurement rules.

On BROADWAY, after the dress rehearsal comes the show. But for the production of the White House Conference on Small Business, there were ten dress rehearsals. And just before the opening next month in Washington, D.C., the script is being slightly rewritten to include more scenes.

The final script, originally a rough draft of ideas produced by small business people from all over the country at 57 local and regional meetings, has been refined and compiled by the White House conference research and policy development staff. Headed by J. R. Kirkland, the staff has coordinated small business input, recommendations made by eight thematic task forces, and delegate changes into something of a final agenda for the January show.

The rewritten script adds five more topics for discussion. They include: energy, innovation-technology, management assistance, veterans, and entrepreneurial education. When the delegation assembles in Washington, its job will be to come up with specific solutions to the 13 problem areas.

Privately, the delegates are not worried about the January conference itself. The ten regional delegate caucuses proved they could work together in a friendly and relatively organized fashion.

"We know we can produce workable solutions," says one Massachusetts delegate. "The real worry is what happens to those recommendations once the conference is over. We will just have to sit back and watch what the White House will do."

#### Overseeing the details

The White House will receive the conference recommendations in a report to be written by the 11 commissioners who oversee all details of the meeting. That report must be filed 60 days after the conference ends. Chances are good that the report will reflect the thinking of the delegates, but Arthur Levitt, Jr., chairman of the

American Stock Exchange and the White House Conference Commission, admits the commission may file a minority opinion.

It will then be up to the White House to decide what actions to take, whether administrative or legislative, or if any action should be taken at all. The catalyst, says Mr. Kirkland, will be Capitol Hill.

"In an election year," he says, "congressmen are not going to wait for the commission to file a report and the administraton to make its moves. Bills will be introduced in January and February long before official action is taken."

For example, most of the changes suggested by the conference for innovation and technology are already embodied in the bill introduced several months ago by Sen. Gaylord Nelson (D.-Wis.), chairman of the Senate Small Business Committee. If the bill fails to pass in this session, it will emerge again in January or February in virtually the same form. Sen. Nelson will not wait for a White House stamp of approval.

#### Supported all along

The same goes for action on accelerated depreciation, Mr. Kirkland says. Although business people may differ on depreciation specifics, the small business community supports the concept as stated in the Capital Cost Recovery Act now being considered by Congress. That bill will reemerge, not because of the conference, but because it has been supported by business all along, he says.

For their part, small business leaders on Capitol Hill have monitored the conference proceedings and developing issues. Both Sen. Nelson and Rep. Neal Smith (D.-Iowa), chairman of the House Small Business Committee, have promised to try to implement the recommendations that come from the January conference.

Meanwhile, each delegate has been asked by the liaison staff to select two areas of greatest concern. The delenational health care expenditures . . .

Source U.S. Department of Health, Education, and Welfare

1973

1978

1983

595.3 billion

5183.0 billion

5322.8 billion

From the National Chamber...

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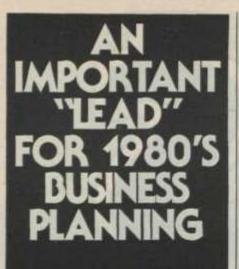
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WHY:

To get insight into what's ahead for business in the '80's... to exchange ideas with other leaders from business, government and the professions...to obtain the top-priority information that impacts forcefully on future business decisions.

gates will work in teams in these areas during the conference.

For example, a delegate may choose international trade and capital formation. (The research staff expects that more than half the delegation will choose capital formation as an area of concern.) The first working day of the conference, the delegate will attend the exporting general session, after which he or she will be assigned to a work session of no more than 49 other delegates and a leader. The work sessions will run all afternoon, and at the end of the day specific initiatives will be drawn up.

The second working day will proceed in the same way with the delegate attending the session of his or her second greatest concern. After the second working day, the workshop leaders will meet to compile findings, which will be presented the following day to all workshop participants.

The afternoon of the third day will be devoted to an open forum during which the floor will be open for amendments in all areas. At the closing session, the delegates will be asked to complete a questionnaire ranking the recommendations in all 13 policy areas to his or her specific business and in order of importance overall.

All delegate input during the work sessions and on the final questionnaire will be tabulated on computers during the conference. If all goes according to schedule, says Mr. Kirkland, the delegates will see some final results before they leave Washington.

The following is a list of the major policy areas and priority changes suggested by the delegates during the regional caucusing:

Capital Formation. A more graduated corporate income tax rate replacing the present schedule for the first \$1 million of income; simplified and accelerated depreciation; further reductions in the capital gains tax by implementing a sliding scale; deferral of taxes for rollover of investments affecting small businesses; an effective jobs tax credit; elimination of double taxation on dividends; and tax incentives for small business debentures to provide a source of capital.

Government Procurement. Full implementation of the law that sets aside government procurement for minority, small, and disadvantaged firms; implementation of two-tier reporting for requirement and procurement regulations; improvement and quicker implementation of SBA's Procurement Automated Source System—PASS.

Economic Policy and Government Programs. Upgrading of SBA to a cabinet-level department or in an overall reorganization plan; appointing a small business advocate to the Council of Economic Advisers, the Export Council, the Regulatory Council, and the Federal Reserve Board; transferring SBA's direct lending and management assistance programs to private institutions.

Regulation and Paperwork. Costbenefit analysis of regulations affecting small business; regulatory flexibility to exempt small businesses from certain regulations; overall review of government regulations by the Office of Management and Budget to reduce paperwork and eliminate duplicative and conflicting regulations; sunset provisions on all government regulations.

Inflation. Indexing of legislative and administrative limits in the Internal Revenue code; simplifying depreciation write-offs; lifting restrictions on employment of teenagers; allowing flexibility of the minimum wage laws for small business; balancing the federal budget; and eliminating the taxes on savings and loan dividends and savings accounts.

Minority Business Development. Relocation of all federal minority business programs within the Commerce Department; appointment of an undersecretary of minority business development; tax incentives to encourage minority acquisitions of nonminority firms; 50 percent set-aside of all federal contracts with 15 percent earmarked for minority business and ten percent for female-owned business.

Women in Business. All services for child care to be tax deductible for employed women; creation of an Office of Women's Business Enterprise within SBA headed by an associate administrator; inclusion of women as a minority in the procurement set-aside law; tax credits to employers for women in management training programs; and a penalty attached to SBA loans if a bank allows female participation to drop below ten percent.

International Trade. Expansion of the small business investment companies as an umbrella group to provide export trading services; more technical, organizational, and monetary assistance to small exporters through the DISC program; one-stop exporting information within the international trade division of the Commerce Department; regional export assistance patterned after the MASSPORT program.

#### These Little Piggies Go to the Races

Harold J. Heinold sold more than five million hogs last year. But he had more fun training and racing 25 young porkers who can do 40 yards in nine seconds or so.

Mr. Heinold is chairman and chief executive officer of Heinold Companies, a subsidiary of DEKALB AgResearch, Inc., the world's largest buyer and seller of hogs. The firm also owns a stable of fleet-of-hoof pigs that race at fairs in Heinold-held handicaps that draw good crowds of pig lovers.

The Heinold racing team starts training when the pigs are four weeks old and weigh in at 32 to 40 pounds. Their two-hour-a-day, four-days-a-week regimen is based on the Pavlovian theory of associating the sound of a bell with the food that awaits them at the end of the track.

Like any other professional team, there is competition—only 25 pigs make the team. The pigs cut from the lineup go back to the farm to grow into hogs. Likewise, only the first pig to cross the finish line gets the prize cookie sitting atop the feed pails. The rest get what is in the pails. And once the pigs reach 80 pounds, they go back to the farm for fattening.

Letting the pigs go to the post was a gamble, Mr. Heinold says, because he wasn't sure how people would react to betting on pigs. But Mr. Heinold is accustomed to gambling on the porcine creatures. Twenty-nine years ago, he opened a hog-buying station in Kouts, Ind.

"Back then, one or two dealers would generally come to your farm and bid on your hogs," he says. "The producers would then haul the hogs hundreds of miles to market where they would be sold at whatever price per pound was offered that day. When the hogs left your farm, you were not sure what profit you might make."

The former dairy farmer thought he and his neighbors ought to be able to choose their price. "It was my theory that you always sell better to someone who needs your product, rather than to someone who doesn't need it at all.

"I knew that packers in the East would





Heading for the finish line and a prize cookie are the racing pigs of the Heinold Companies, based in Kouts, Ind. Harold J. Heinold started his porcine track teams to end popular misconceptions that porkers are slow, dim-witted, and lazy.

be willing to pay more for the hogs directly rather than getting them through Chicago. So I devised a system of calling eastern packers to get a set price per pound," says Mr. Heinold.

"It only made sense to establish the selling price before we hauled the hogs off to market."

In his first year of operation, Mr. Heinold moved 35,800 porkers to market. He, his wife, Sis, and now-retired partner, Joe Vogel, spent their days buying from neighboring farms and delivering the animals to market and their evenings keeping the books and cleaning the barns and stockyards.

Today, Heinold Companies serves 75,000 members in 85 locations throughout the Midwest and Georgia and plans to go into Florida. The firm has increased its gross earnings by 67 percent over the past year. In addition, the company recently expanded into lowa, which has 20 percent of the national hog market.

Says Mr. Heinold: "We have a pretty good chance of hitting an all-time high of buying and selling seven million hogs next year. And that will be makin' some bacon."

#### If You Can't Sell It, Trade It

Moreton Binn has an affinity to Peter Stuyvesant. "He was the father of bartering," says Mr. Binn. "He traded \$24 worth of beads for Manhattan Island. Not a bad deal."

Mr. Binn is owner and president of Atwood Richards, Inc., a New York Citybased bartering firm that takes whatever a company can't sell, gives the company something it needs in return, then trades the acquisition to another company that can use it.

"In today's economy, money is depreciating so quickly that it makes sense to trade products, not dollars," says Mr. Binn. "Barter is a more creative way of completing traditional transactions."

Atwood Richards regularly deals with more than 100 companies. Its inventory contains everything from airplanes to pocket electronic calculators. The company, which began in 1957 as a subsidiary of a larger corporation, was acquired by Mr. Binn in 1974. Since then, trading



Closing another deal, Moreton Binn is surrounded by items his company acquired through trading. "Bartering is more creative than buying," says Mr. Binn.

has been spurred by a problem generic to business—excess inventory.

"Companies have invested money to produce a product, and if the product sits in a warehouse, the company is losing money every day," he says. "Instead of letting the inventory vegetate, the company can trade for something it really needs without spending a dime."

In the case of BSR, a British electronics firm, Atwood Richards acquired phonograph turntables. In return, BSR received plush hotel accommodations that Mr. Binn had acquired in another deal.

Atwood Richards also serves as the go-between for companies. For example, an American agricultural chemical company wants to sell its products to Russia, but does not want to be paid in rubles.

Atwood Richards, through bartering, has found that Russia will pay in cheese and leather. So Atwood Richards will trade the chemicals to the Russians for cheese and leather and pay the American firm in dollars and trade credit. The cheese and leather will be sold in Europe—the cheese to hotels for rooms and to airlines for future tickets and the leather to Italian tanneries for finished leather products. The Italian leather products, hotel rooms, and airline tickets will become part of Atwood Richards's overall inventory.

Part of that inventory is found in Atwood Richards's Park Avenue office, which is decorated in early barter, says Mr. Binn. There is a motorcycle parked next to the receptionist, and the carpeted hallways contain bartered-for pictures and other paraphernalia. Mr. Binn's office has barter-acquired desk, chair, plants, and an assortment of smaller items that changes daily.

At last count, Mr. Binn says, about half of all purchasing agents in the United States had engaged in barter of one kind or another.

Many companies seek out Atwood Richards. "We're the Merrill Lynch of the barter business," he claims.

#### Insurance Is Another Education

Collier St. Clair had a bad case of stage fright during the first year he sold insurance. "I was afraid so I worked hard," he says. "Every morning I used to wish I hadn't quit my teaching job."

Today, Mr. St. Clair heads a 47-agent district agency for the Equitable Life Assurance Society of the United States in Atlanta, Ga. And he no longer has to ride around the block three times to steel himself before calling on a prospective client.

"Despite my friends telling me I just wasn't the type to be a salesman, I finally realized I enjoyed it. Then it took me a year to be sure I enjoyed it." Mr. St. Clair started his agency—Equitable's 11th largest—in 1975 from scratch. In 1978, he and his staff sold more than \$50 million worth of insurance.

"Selling insurance is not like selling cars," says Mr. St. Clair. "It becomes very involved and leads into areas of law, business and personal finance, and estate planning. A good insurance agent becomes a specialist in evaluating people's needs and goals and custom-fitting insurance to them."

The winner of many selling awards, Mr. St. Clair specialized in insuring minority businesses, and that led to financial planning. "So many small businessmen have to put in such an amount of work that they don't have time to think about whether they ought to have a tax-deferred retirement plan or whatever," says Mr. St. Clair. "In addition to selling insurance, we can help them manage their finances better."

As for affirmative action, Mr. St. Clair is sold on Equitable's program. "We have ten black agency managers, four Hispanics, one woman, one oriental, and one American Indian, and a whole lot of minority vice presidents," he says.

"Coy Eklund, our president and chief executive officer, said way back in 1968 that companies should hire minorities not just because it is the law, though it is, and not just because it is good business, though it is, but because it is the right thing to do. And man, he has really lived up to that."



Building a business within the Equitable insurance company was Collier St. Clair's dream since the day he started selling.

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# We Are Running Out of Tomorrows

THERE IS serious cause once again to ask whether Congress has shown itself worthy of being trusted with the finances of the Republic.

The national legislature's last concerted attempt to deal with its profligate ways was the Budget Control and Impoundment Act of 1974, a promising baby now suffering from an allbut-terminal case of arrested development.

In theory, the procedures of the act gave Congress both the time and the means to set spending goals related to income projections.

The fond expectation was that Congress would thereafter be able, in conjunction with the administration, to put the federal budget on a businesslike basis.

Since 1974, there have been five straight federal deficits totaling \$225 billion. So much for expectations.

It is true—as the politicians say—that we have budget deficits because all of us collectively make demands on the government greater than the economy can fund. But it is also true that many of the demands have been skillfully cultivated by those same politicians for their own ends.

In any case, the individual American is not in a position to decide how scarce resources should be allocated among competing needs. That is what the citizen has a right to expect his or her representatives in Congress to do.

If Congress flatly refuses to face that responsibility, then a constitutional amendment to limit spending is the last resort. But the amendment route is a cumbersome, long-term

process. It would be far better if Congress put its own houses in order.

Many in Congress seem to understand that point. There are now various bills on the Hill that would amend either the Constitution or the rules of Congress to force fiscal restraint. Most are based on one of two approaches: Mandate a balanced budget or limit the growth of federal expenditures to a percentage of the gross national product.

Without prejudice to these proposals, we think there are some additional things Congress can do to improve the performance of the 1974 budget act.

Jay VanAndel, chairman of the U.S. Chamber of Commerce, presented these proposals to a House Judiciary subcommittee last fall:

- Require a substantial majority vote to exceed specified spending or tax levels.
- Require that Congress tentatively set overall dollar levels in the first budget resolution that are lower than those in the President's budget and that the appropriations committees develop their spending plans within these limits.
- Change the rules of the House to facilitate budget resolution amendments mandating across-the-board cuts.
- Require that the sum of the appropriations not exceed the whole budget.

We hope Congress rises to the occasion. As Mr. Van Andel observed: "For too long, the political expediency of today has put off until tomorrow the battle to eliminate inflation. But we are running out of tomorrows."



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But 1980 is no ordinary year. The best news is that the legendary Diesel fuel efficiency remains legendary.

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All six Mercedes-Benz gasoline models remain on the leading edge of automotive technology for 1980.

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Coupe. Compare this to other cars. Your mileage may differ depending on speed, weather conditions and trip length.

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# TRIUMPH.

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.